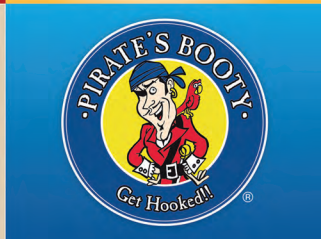




**B&G FOODS, INC.**

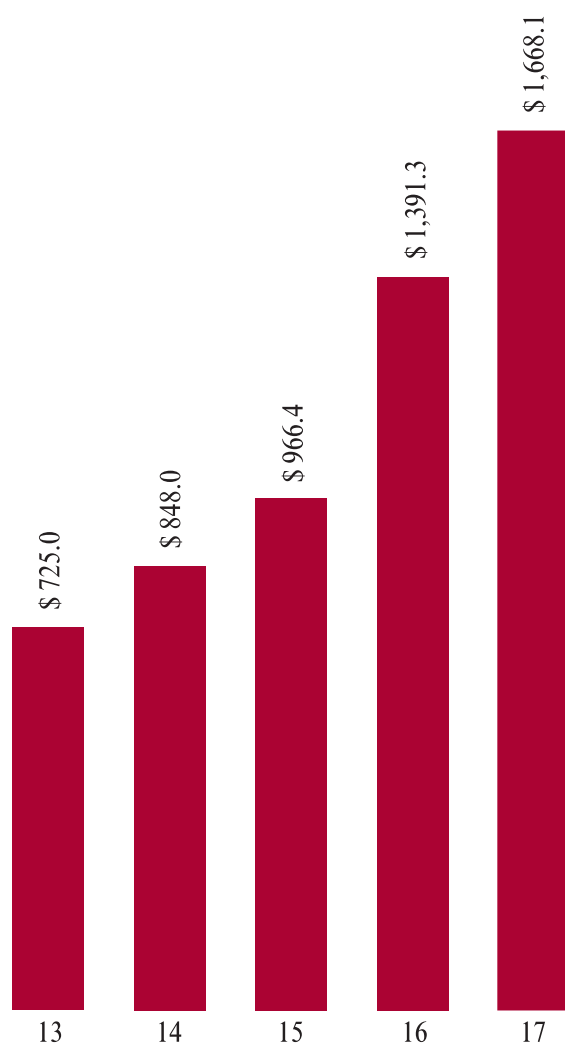
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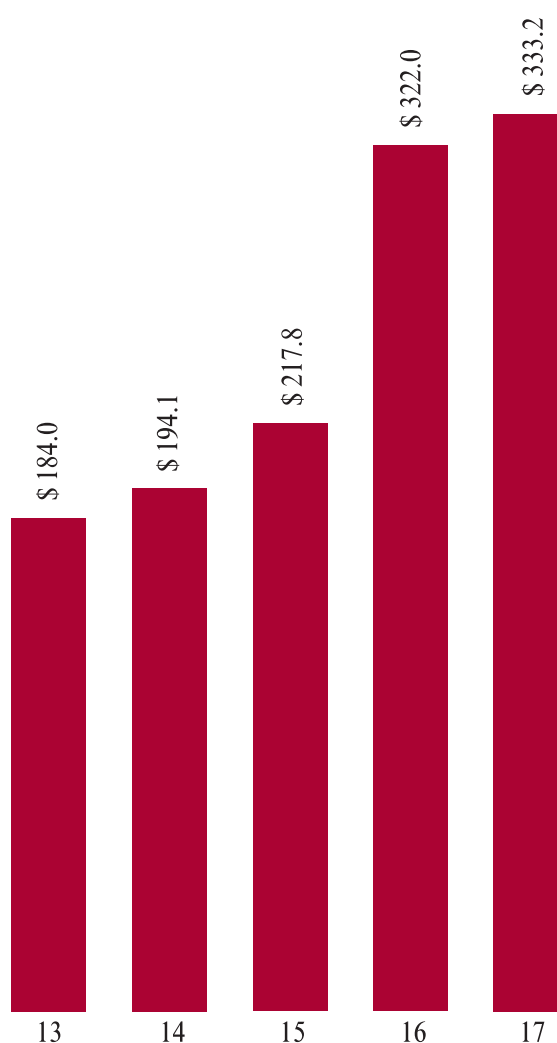
# FINANCIAL HIGHLIGHTS

FISCAL YEAR	2017	2016	2015	2014	2013
(Dollars in millions)					
Net Sales	\$ 1,668.1	\$ 1,391.3	\$ 966.4	\$ 848.0	\$ 725.0
Adjusted EBITDA*	\$ 333.2	\$ 322.0	\$ 217.8	\$ 194.1	\$ 184.0

## NET SALES



## ADJUSTED EBITDA\*



\*Adjusted EBITDA is a "non-GAAP (Generally Accepted Accounting Principles) financial measure." Please see the discussion within the footnotes to Item 6, "Selected Financial Data" in the following Annual Report on Form 10-K for a more detailed discussion of adjusted EBITDA and a reconciliation of adjusted EBITDA with the most directly comparable GAAP measures for fiscal 2017, 2016, 2015, 2014, and 2013, along with the components of adjusted EBITDA.



## **B&G FOODS, INC.**

### **TO OUR STOCKHOLDERS:**

#### **Financial Performance**

I am pleased to report that fiscal 2017 was another record breaking year for B&G Foods. Once again we set company records for net sales, which increased 20.0% to \$1.67 billion, and adjusted EBITDA,\* which increased 3.5% to \$333.2 million. From our initial public offering in 2004 through the end of fiscal 2017, net sales and adjusted EBITDA have increased at compound annual growth rates of 12.2% and 12.7%, respectively. And in 2017 our adjusted EBITDA as a percentage of net sales was 20%, placing us in the top tier of our industry for adjusted EBITDA margin.

#### **Investment Highlights**

In our thirteen years as a publicly held company, we have proven our commitment to creating stockholder value by paying a generous and growing cash dividend. We have been able to keep that commitment year after year by achieving consistent and ever improving operating results. Over the last five years we have increased the dividend at a compound annual growth rate of 10%. Our dividend yield is among the highest in the industry and we remain as committed as ever to our policy of returning a meaningful portion of our excess cash to stockholders. Assuming the reinvestment of dividends, total stockholder return over the past five fiscal years through the end of fiscal 2017 was 58.1%. And last month, we announced that our board has authorized a stock repurchase program for the repurchase of up to \$50 million of our common stock through March 15, 2019, which gives us an additional option to return excess cash to our stockholders.

#### **Business Performance**

Our acquisition strategy, which we have executed successfully over many years, continued in 2017 to yield positive results. Our three most recent acquisitions, the spices & seasonings business and *Victoria*, both completed in the fourth quarter of 2016, and *Back to Nature*, completed in the fourth quarter of 2017, are each outpacing our initial expectations. In fiscal 2017, the spices & seasonings business generated net sales of \$260 million, compared to our initial forecast of \$220 million, and *Victoria* generated net sales of \$43 million, compared to our initial forecast of \$41 million. And for the fourth quarter of fiscal 2017, *Back to Nature* generated more than \$20 million of net sales, compared to our initial forecast of \$17.5 million. We successfully completed the integration of each of those acquisitions during 2017.

Another highlight was our *Green Giant* frozen business, which performed exceptionally well in 2017. Largely on the strength of new innovation products like *Green Giant* Veggie Tots, *Green Giant* Riced Veggies and *Green Giant* Mashed Cauliflower, in 2017 *Green Giant* frozen became the fastest growing frozen vegetable brand and the second fastest growing brand in the entire frozen foods category. These growth trends would be impressive for any brand, let alone a brand that is over 100 years old.

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\* Adjusted EBITDA and base business net sales are “non-GAAP (Generally Accepted Accounting Principles) financial measures.” Please see the discussion in the footnotes to Item 6, “Selected Financial Data” and in the Management’s Discussion and Analysis section in the following Annual Report on Form 10-K for a more detailed discussion of adjusted EBITDA and base business net sales and reconciliations of adjusted EBITDA and base business net sales with the most directly comparable GAAP measures along with the components of adjusted EBITDA and comparable base business net sales.

Notwithstanding the growth we achieved in net sales and adjusted EBITDA in fiscal 2017, we fell short of the adjusted EBITDA goal we set at the beginning of the year. A number of factors contributed to the shortfall, including increased freight and warehousing costs, declining net sales for our shelf-stable vegetable business and higher than expected marketing spending in connection with the launch of new *Green Giant* frozen products. While we were very happy to see our net sales increase by 20% for fiscal 2017, we were disappointed to see our base business net sales\* decrease by 1.1%.

I am encouraged, however, that the overall decline in base business net sales for fiscal 2017 was concentrated in the first half of the year. Base business net sales in the third and fourth quarters of fiscal 2017 increased 1.2% compared to the third and fourth quarters of fiscal 2016. I am also encouraged when I look at our portfolio of brands, which we have been methodically rebalancing over the past few years. Although our portfolio comprises more than 50 brands, several of our largest brands—*Green Giant*, *Ortega*, *Pirate Brands*, *Back to Nature*, *Maple Grove Farms of Vermont*, *Cream of Wheat*, *Victoria* and *Mrs. Dash*, together with our recently acquired spices & seasonings business and our legacy spices & seasonings products—contribute approximately three quarters of our total net sales and adjusted EBITDA. And those brands compete in categories such as frozen vegetables, ethnic foods, “better for you” snacks, spices & seasonings and premium pasta sauces, which we believe to be attractive and promising categories.

### **Fiscal 2018**

Notwithstanding the challenges we faced in 2017 and that we continue to face, we are excited about the prospects ahead of us in 2018. We expect the success of our new *Green Giant* innovation products to gain momentum and our base business to stabilize. We will continue to look for acquisition opportunities that make sense for our company and our stockholders, and when we find those opportunities we will be ready to act. We will also remain persistent in our efforts to return even more cash to our stockholders. In 2017 we made some valuable additions to what was already an experienced and talented management team and we all look forward to delivering another year of exceptional results.

### **In Closing**

In the three years that I have been CEO of B&G Foods, we have undergone significant change and achieved significant growth. In that time, we have completed five acquisitions, more than doubled net sales from \$848 million in fiscal 2014 to a projected \$1.72 to \$1.755 billion in fiscal 2018, increased headcount from approximately 1,000 employees to approximately 2,500 employees, acquired our two largest manufacturing facilities and established a much more complex and sophisticated distribution network. Although we did not achieve every objective we set for ourselves at the beginning of 2017, I believe we made valuable progress in positioning our company for future success. B&G Foods is in many ways a different company now than the one I took over three years ago, but we have the same values. Passion for what we do, our commitment to food safety and quality, integrity and accountability, our customer and consumer focus, our commitment to the safety and health of our employees and our belief in collaboration and empowerment are the values that have driven the success of this company for many years and will continue to drive our company’s success in the future. It is because of these values that we have been able to create tremendous stockholder value over the years, and I believe stockholders of B&G Foods should expect a bright future.

Sincerely,



Robert C. Cantwell  
*President and Chief Executive Officer*  
April 3, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark one)

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 30, 2017

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to
Commission file number 001-32316

B&G FOODS, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
Four Gatehall Drive, Parsippany, New Jersey
(Address of principal executive offices)

13-3918742
(I.R.S. Employer
Identification No.)
07054
(Zip Code)

Registrant's telephone number, including area code: (973) 401-6500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class Name of exchange on which registered
Common Stock, par value \$0.01 per share New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [X] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company [ ]
(Do not check if a smaller reporting company)

Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]

The aggregate market value of the registrant's outstanding shares of common stock held by non-affiliates of the registrant (assuming for these purposes, but without conceding, that all executive officers and directors are affiliates of the registrant) as of June 30, 2017, the last business day of the registrant's most recently completed second fiscal quarter, was \$2,056,835,675 (based on the \$35.60 per share closing price of the registrant's common stock on that date as reported on the New York Stock Exchange).

As of February 23, 2018, the registrant had 66,499,044 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Selected designated portions of the registrant's definitive proxy statement to be filed on or before April 30, 2018 in connection with the registrant's 2018 annual meeting of stockholders are incorporated by reference into Part III of this annual report.

**B&G FOODS, INC.**  
**ANNUAL REPORT ON FORM 10-K**  
**FOR THE FISCAL YEAR ENDED DECEMBER 30, 2017**

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## PART I

### Item 1. Business.

#### Overview

The terms “B&G Foods,” “our,” “we” and “us,” as used in this report, refer to B&G Foods, Inc. and its wholly owned subsidiaries, except where it is clear that the term refers only to the parent company. Throughout this report, we refer to our fiscal years ended December 28, 2013, January 3, 2015, January 2, 2016, December 31, 2016, December 30, 2017 and December 29, 2018 as “fiscal 2013,” “fiscal 2014,” “fiscal 2015,” “fiscal 2016” and “fiscal 2017” and “fiscal 2018” respectively. Our fiscal year is the 52 or 53 week reporting period ending on the Saturday closest to December 31. Fiscal 2014 contained 53 weeks and fiscal 2018, fiscal 2017, 2016, 2015 and 2013 each contained or contain 52 weeks.

B&G Foods manufactures, sells and distributes a diverse portfolio of branded, high quality, shelf-stable and frozen food and household products across the United States, Canada and Puerto Rico. Many of our branded products have leading regional or national market shares. In general, we position our products to appeal to the consumer desiring a high quality and reasonably priced product. We complement our branded product retail sales with institutional and foodservice sales and private label sales.

B&G Foods, including our subsidiaries and predecessors, has been in business for over 125 years. We were incorporated in Delaware on November 25, 1996 under the name B Companies Holdings Corp. On August 11, 1997, we changed our name to B&G Foods Holdings Corp. On October 14, 2004, B&G Foods, Inc., then our wholly owned subsidiary, was merged with and into us and we were renamed B&G Foods, Inc.

Our company has been built upon a successful track record of both organic and acquisition-related growth. Our goal is to continue to increase sales, profitability and cash flows through organic growth, disciplined acquisitions of complementary branded businesses and new product development. Since 1996, we have successfully acquired and integrated more than 45 brands into our company.

The table below includes some of the acquisitions we have completed in recent years:

<u>Date</u>	<u>Significant Event</u>
October 2017	Acquisition of Back to Nature Foods Company, LLC and related entities, including the <i>Back to Nature</i> and <i>SnackWell's</i> brands, from Brynwood Partners VI L.P., Mondelēz International and certain other sellers, referred to as the “ <i>Back to Nature</i> acquisition” in the remainder of this report.
December 2016	Acquisition of Victoria Fine Foods, LLC, and a related entity, from Huron Capital Partners and certain other sellers, referred to as the “ <i>Victoria</i> acquisition” in the remainder of this report.
November 2016	Acquisition of the spices & seasonings business of ACH Food Companies, Inc., including the <i>Spice Islands</i> , <i>Tone's</i> , <i>Durkee</i> and <i>Weber</i> brands, referred to as the “spices & seasonings acquisition” in the remainder of this report.
November 2015	Acquisition of the <i>Green Giant</i> and <i>Le Sueur</i> brands from General Mills, Inc., referred to as the “ <i>Green Giant</i> acquisition” in the remainder of this report.
July 2015	Acquisition of Spartan Foods of America, Inc., and related entities, including the <i>Mama Mary's</i> brand, from Linsalata Capital Partners and certain other sellers, referred to as the “ <i>Mama Mary's</i> acquisition” in the remainder of this report.
April 2014	Acquisition of Specialty Brands of America, Inc. and related entities, including the <i>Bear Creek Country Kitchens</i> , <i>Spring Tree</i> , <i>Cary's</i> , <i>MacDonald's</i> , <i>New York Flatbreads</i> and <i>Canoleo</i> brands, from affiliates of American Capital, Ltd., referred to as the “Specialty Brands acquisition” in the remainder of this report.
October 2013	Acquisition of Rickland Orchards LLC, including the <i>Rickland Orchards</i> brand, from Natural Instincts LLC, referred to as the “ <i>Rickland Orchards</i> acquisition” in the remainder of this report.
July 2013	Acquisition of Pirate Brands, LLC, including the <i>Pirate's Booty</i> , <i>Smart Puffs</i> and <i>Original Tings</i> brands from affiliates of VMG Partners and Driven Capital Management, and certain other entities and individuals, referred to as the “Pirate Brands acquisition” in the remainder of this report.
May 2013	Acquisition of the <i>TrueNorth</i> brand from DeMet's Candy Company, referred to as the “ <i>TrueNorth</i> acquisition” in the remainder of this report.

## Products and Markets

The following is a brief description of some of our brands and product lines:

The *Green Giant* and *Le Sueur* brands trace their roots to Le Sueur, Minnesota in 1903, and the Minnesota Valley Canning Company. For more than 100 years, fresh and great-tasting *Green Giant* and *Le Sueur* vegetables have been grown and *picked at the peak of perfection* in the Valley of the Jolly Green Giant. In the remainder of this report, we generally refer to the *Green Giant* and *Le Sueur* brands collectively as the “*Green Giant* brand.”

The *Ortega* brand has been in existence since 1897; its products span the shelf-stable Mexican food segment including taco shells, tortillas, seasonings, dinner kits, taco sauces, peppers, refried beans, salsas and related food products.

Pirate Brands, which includes *Pirate’s Booty*, *Smart Puffs* and *Original Tings*, originated in 1987 and offers baked, trans fat free and gluten free snacks.

*Back to Nature* has been a pioneer in the better-for-you snack foods category and it is a leading cookie and cracker brand in the category. The *Back to Nature* brand’s product offerings include Non-GMO Project Verified, organic and gluten free products.

The *Maple Grove Farms of Vermont* brand, which originated in 1915, is one of the leading brands of pure maple syrup sold in the United States. Other products under the *Maple Grove Farms of Vermont* label include a line of gourmet salad dressings, sugar free syrups, marinades, fruit syrups, confections, pancake mixes and organic products.

The *Cream of Wheat* brand was introduced in 1893 and is among the leading brands and one of the most trusted and widely recognized brands of hot cereals sold in the United States. *Cream of Wheat* is available in Original, Whole Grain and Maple Brown Sugar stove top, and also in instant packets of Original and other flavors. We also offer *Cream of Rice*, a gluten-free, rice-based hot cereal.

The *Mrs. Dash* brand, which was introduced in 1983 as the original brand in salt-free seasonings, is available in more than a dozen blends. In 2005, the leading brand in salt-free seasonings introduced 6 salt-free marinades. *Mrs. Dash’s* brand essence, “Salt-Free, Flavor-Full,” resonates with consumers and underscores the brand’s commitment to provide healthy products that fulfill consumers’ expectations for taste.

The *Bear Creek Country Kitchens* brand is the leading brand of hearty dry soups in the United States. *Bear Creek Country Kitchens* also offers a line of savory pasta dishes and hearty rice dishes.

Victoria Fine Foods is a Brooklyn-based business founded in 1929. The *Victoria* brand offers a variety of premium pasta and specialty sauces, savory condiments and tasty gourmet spreads. Using traditional cooking methods, *Victoria* sauces are slow kettle-cooked in small batches to ensure rich flavor and a homemade taste. Committed to its values of quality, honesty, authenticity and community, *Victoria* believes that *Ingredients Come First*.

The *Las Palmas* brand originated in 1922 and primarily includes authentic Mexican enchilada sauce, chili sauce and various pepper products.

The *Mama Mary’s* brand was introduced in 1986 and is a leading brand of shelf-stable pizza crusts. *Mama Mary’s* also offers pizza sauces and premium gourmet pepperoni slices.

The *Polaner* brand was introduced in 1880 and is comprised of a broad array of fruit-based spreads as well as jarred wet spices such as chopped garlic and oregano. *Polaner All Fruit* is a leading national brand of fruit-juice sweetened fruit spread. The spreads are available in more than a dozen flavors. *Polaner Sugar Free* preserves are the second leading brand of sugar free preserves nationally.

The *New York Style* brand was created in 1985 and includes Original *Bagel Crisps*, Pita Chips and *Panetini* Italian Toast.



The *Tone's* brand started as a family business in 1873 and was responsible for many of the early advancements in the spice industry. The *Tone's* brand sells predominantly in the club channel while also servicing traditional grocery.

The *Weber* brand of seasonings and other flavor enhancers was introduced in 2006 under a licensing agreement with Weber-Stephen Products LLC, maker of the popular *Weber* grills. Under the *Weber* brand, we offer a wide range of grilling seasoning blends, rubs, marinades, sprays and sauces.

The *SnackWell's* brand of low-fat and no-fat snacks originated in 1992. *SnackWell's* offerings include a variety of delicious fat-free products such as its signature Devil's Food Cookie Cakes and peanut-free treats such as its tasty Vanilla Creme Sandwich Cookies. Live Well.

The *Spice Islands* brand, established in San Francisco in 1941, is a leading premium spices and extracts brand offering a diverse line of high quality products including spices, seasonings, dried herbs, extracts, flavorings and sauce blends. The brand recently expanded into organic products.

The *Bloch & Guggenheimer (B&G)* brand originated in 1889, and its pickle, pepper and relish products are a leading brand in the New York metropolitan area. This line consists of shelf-stable pickles, peppers, relishes, olives and other related specialty items.

The *Underwood* brand's "*Underwood Devil*" logo, which was registered in 1870, is believed to be the oldest registered trademark still in use for a prepackaged food product in the United States. *Underwood* meat spreads, which were introduced in the late 1860s, include deviled ham, white-meat chicken, roast beef, corned beef and liverwurst.

The *Ac'cent* brand was introduced in 1947 as a flavor enhancer for meat preparation and is generally used on beef, poultry, fish and vegetables. We believe that *Ac'cent* is positioned as a unique flavor enhancer that provides food with the "umami" flavor sensation.

The *Spring Tree* brand originated in 1976 in Brattleboro, Vermont, and consists of pure maple syrup and sugar free syrup.

The *B&M* brand was introduced in 1927 and is the original brand of brick-oven baked beans and remains one of the very few authentic baked beans. The *B&M* line includes a variety of baked beans and brown bread. The *B&M* brand currently has a leading market share in the New England region.

The *Emeril's* brand was introduced in 2000 under a licensing agreement with celebrity chef Emeril Lagasse. We offer a line of pasta sauces, seasonings, cooking stocks, mustards and cooking sprays under the *Emeril's* brand name.

The *Grandma's* brand of molasses, which was introduced in 1890, is the leading brand of premium-quality molasses sold in the United States. *Grandma's* molasses products are offered in two distinct styles: *Grandma's* Original Molasses and *Grandma's* Robust Molasses.

The *Trappey's* brand, which was introduced in 1898, has a Louisiana heritage. *Trappey's* products fall into two major categories—high quality peppers and hot sauces, including *Trappey's Red Devil*.

The *TrueNorth* brand was introduced in 2008. *TrueNorth* nut cluster snacks combine freshly roasted nuts, a dash of sea salt and just a hint of sweetness. *TrueNorth* varieties include almond pecan crunch, chocolate nut crunch and cashew crunch.

The *Don Pepino* and *Sclafani* brands originated in 1955 and 1900, respectively, and primarily include pizza and spaghetti sauces, whole and crushed tomatoes and tomato puree.

The *Joan of Arc* brand, which originated in 1895, includes a full range of canned beans including kidney, chili and other varieties.

The *Old London* brand was created in 1932 and offers a wide variety of flavors available in melba toasts, melba rounds and other snacks. *Old London* also markets specialty snacks under the *Devonsheer* and *JJ Flats* brand names.

The *Cary's* brand originated in 1904 and is the oldest brand of pure maple syrup in the United States. *Cary's* also offers sugar free syrup.

The *Static Guard* brand, the number one brand name in static elimination sprays, created the anti-static spray category when it was launched in 1978 to fulfill a previously unmet consumer need. The brand's ability to consistently deliver on its promise to "instantly eliminate static cling" has resulted in a loyal consumer following.

The *Regina* brand, which has been in existence since 1949, includes vinegars and cooking wines. *Regina* products are most commonly used in the preparation of salad dressings as well as in a variety of recipe applications, including sauces, marinades and soups.

The *Baker's Joy* brand was introduced in 1982 and is the original brand of no-stick baking spray with flour. *Baker's Joy's* product proposition has been to "generate a perfect release from the pan every time," making baking easier, faster and more successful for everyday bakers.

The *Sugar Twin* brand was developed in 1968 and is a calorie free sugar substitute.

The *Wright's* brand was introduced in 1895 and is a seasoning that reproduces the flavor and aroma of pit smoking in meats, chicken and fish. *Wright's* is offered in three flavors: Hickory, Mesquite and Applewood.

The *Durkee* brand was established in 1850 and, like our *Tone's* brand, started as a family business and was an early leader in the spice industry.

The *Sa-són* brand was introduced in 1947 as a flavor enhancer used primarily for Puerto Rican and Hispanic food preparation. The product is generally used on beef, poultry, fish and vegetables. The brand's flavor enhancer is offered in four flavors: Original, Coriander and Achiote, Garlic and Onion, and Tomato. We also offer reduced sodium versions of *Sa-són*.

The *Brer Rabbit* brand has been in existence since 1907 and currently offers mild and full-flavored molasses as well as blackstrap molasses. Mild molasses is designed for table use and full-flavored molasses is typically used in baking, barbeque sauces and as a breakfast syrup.

The *New York Flatbreads* brand is a line of thin, crispy, flavorful crispbread that is available in several toppings.

The *Vermont Maid* brand has been in existence since 1919 and offers maple-flavored syrups. *Vermont Maid* syrup is available in regular, sugar-free and sugar-free butter varieties.

The *Molly McButter* brand created the butter-flavored sprinkles category in 1987. *Molly McButter* is available in butter and cheese flavors.

The *Canoleo* brand offers an all-purpose margarine used for spreading, cooking and baking.

## **Food Industry**

The food industry is one of the United States' largest industries. Historically, it has been characterized by relatively stable sales growth, based largely on price and population increases. In recent years, however, many traditional center of store grocery brands in the industry have often experienced flat to modestly declining sales. Over the past decade or so, the retail side of the food industry has seen a continuing shift of sales to alternate food outlets such as supercenters, warehouse clubs, organic and "natural" food stores, dollar stores, drug stores and e-tailers. Among other things, this shift has caused consolidation of traditional grocery chains into larger entities, often spanning the country under varying banner names. Consolidation has increased the importance of having a number one or two brand within a

category, be that position national or regional. At the same time, this shift has also introduced many alternatives to traditional grocery chains. A broad sales and distribution infrastructure has also become critical for food companies, allowing them to reach all outlets selling food to consumers and expanding their growth opportunities.

### **Sales, Marketing and Distribution.**

*Overview.* We sell, market and distribute our products through a multiple-channel sales, marketing and distribution system to all major U.S. food channels, including sales and shipments to supermarkets, mass merchants, warehouse clubs, wholesalers, foodservice distributors and direct accounts, specialty food distributors, military commissaries and non-food outlets such as drug, dollar store chains and e-tailers. Certain of our brands, including *Green Giant*, *Cream of Wheat*, *Back to Nature*, *Ac'cent*, *Crock Pot* seasoning mixes, *Underwood*, *Polaner*, *Static Guard*, *Mrs. Dash*, *New York Style*, *Sugar Twin* and *Victoria* are also distributed to similar food channels in Canada. We sell, market and distribute our household brand, *Static Guard*, through the same sales, marketing and distribution system to many of the same customers who buy our food products as well as to other household product retailers and distributors.

We sell our products primarily through broker sales networks to supermarket chains, foodservice outlets, mass merchants, warehouse clubs, non-food outlets and specialty distributors. The broker sales network handles the sale of our products at the retail level.

*Sales.* Our sales organization is aligned by distribution channels and consists of regional sales managers, key account managers and sales persons. Regional sales managers sell our products nationwide through national and regional brokers, with separate organizations focusing on foodservice, grocery chain accounts and special markets. Our sales managers coordinate our broker sales efforts, make key account calls with buyers or distributors and supervise broker retail coverage of the products at the store level.

Our sales strategy is centered on individual brands. We allocate promotional spending for each of our brands and our regional sales managers coordinate promotions with customers. Additionally, our marketing department works in conjunction with the sales department to coordinate special account activities and marketing support, such as couponing, public relations and media advertising.

We have a national sales force that is capable of supporting our current brands and quickly integrating and supporting any newly acquired brands.

*Marketing.* Our marketing organization is aligned by brand and is responsible for the strategic planning for each of our brands. We focus on deploying promotional dollars where we believe the spending will have the greatest impact on sales. Marketing and trade spending support, on a national basis, typically consists of advertising trade promotions, coupons and cross-promotions with supporting products. Radio, internet, social media and limited television advertising supplement this activity.

*Distribution.* We distribute our products through a multiple-channel system that covers every class of customer nationwide. Due to the different demands of distribution for frozen and shelf-stable products, we maintain separate distribution systems.

Our shelf-stable distribution network consists of four primary locations, which are leased by us and are operated for us by a third party logistics provider. In Canada, Mexico and from time to time in the United States we also use public warehouse and distribution facilities for our shelf-stable products.

Our frozen distribution network consists of seven primary locations, which are owned and operated by third party logistics providers.

Warehousing and distribution for the spices & seasonings business we acquired in November 2016 had been managed for us by ACH Food Companies pursuant to a transition services agreement that expired on September 3, 2017. Following the completion of the transition period, we assumed responsibility for warehousing and distribution of the spices & seasonings products.

We believe that our distribution systems for shelf-stable and frozen products have sufficient capacity to accommodate incremental product volume. See Item 2, “Properties” for a listing of our owned and leased distribution centers and warehouses.

### **Customers**

Our top ten customers accounted for approximately 54.6% of our net sales and 49.4% of our end of the year receivables for fiscal 2017. Other than Wal-Mart, which accounted for 24.1% of our fiscal 2017 net sales, no single customer accounted for 10.0% or more of our fiscal 2017 net sales. Other than Wal-Mart, which accounted for 21.5% of our receivables as of the end of fiscal 2017, no single customer accounted for more than 10.0% of our receivables as of the end of fiscal 2017. During fiscal 2017, 2016 and 2015, our net sales to foreign countries represented approximately 6.3%, 7.1% and 5.2%, respectively, of our total net sales. Our foreign sales are primarily to customers in Canada. The increase in net sales to foreign countries as a percentage of total net sales in fiscal 2016 was primarily attributable to the *Green Giant* acquisition. The decrease in net sales to foreign countries as a percentage of total net sales in fiscal 2017 was primarily attributable to the spices & seasonings acquisition, which has limited sales outside the United States.

### **Seasonality**

Sales of a number of our products tend to be seasonal and may be influenced by holidays, changes in seasons/weather or certain other annual events. In general, our sales are higher in the first and fourth quarters.

We purchase most of the produce used to make our frozen and shelf-stable canned vegetables, pickles, relishes, peppers, tomatoes and other related specialty items during the months of June through October, and we generally purchase the majority of our maple syrup requirements during the months of April through August. Consequently, our liquidity needs are greatest during these periods.

### **Competition**

We face competition in each of our product lines. Numerous brands and products compete for shelf space and sales, with competition based primarily on product quality, convenience, price, trade promotion, consumer promotion, brand recognition and loyalty, customer service, advertising and other activities and the ability to identify and satisfy emerging consumer preferences. We compete with numerous companies of varying sizes, including divisions or subsidiaries of larger companies. Many of these competitors have multiple product lines, substantially greater financial and other resources and may have lower fixed costs and/or be substantially less leveraged than we are. Our ability to grow our business could be impacted by the relative effectiveness of, and competitive response to, our product initiatives, product innovation, advertising and promotional activities. In addition, from time to time, we experience margin pressure in certain markets as a result of competitors’ pricing practices.

Our products compete not only against other brands in their respective product categories, but also against products in similar or related product categories. For example, our shelf-stable pickles compete not only with other brands of shelf-stable pickles, but also with pickle products found in the refrigerated sections of grocery stores, and all our brands compete against private label products to varying degrees.

### **Raw Materials**

We purchase raw materials, including agricultural products, meat, poultry, flour, other raw materials, ingredients and packaging materials from growers, commodity processors, other food companies and packaging suppliers located in U.S. and foreign locations. The principal raw materials for our products include corn, peas, broccoli, beans, pepper, garlic and other spices, maple syrup, wheat, corn, nuts, cheese, fruits, beans, tomatoes, peppers, meat, sugar, concentrates, molasses and corn sweeteners. Vegetables for the *Green Giant* brand are primarily purchased under dedicated acreage supply contracts from a number of growers prior to each growing season with the remaining demand being sourced directly from third parties. We purchase certain other agricultural raw materials in bulk or pursuant to short-term supply contracts. Most of our agricultural products are purchased between April 1 and October 31. We generally source pepper, garlic and other spices and herbs from locations other than the United States. We purchase the majority of our maple syrup from Canada. We also use packaging materials, particularly glass jars, cans, cardboard and plastic containers. The profitability of our business relies in substantial part on the prices we and our co-packers pay for these raw materials and packaging materials, which can fluctuate due to a number of factors, including changes in crop

size, national, state and local government sponsored agricultural programs, export demand, currency exchange rates, natural disasters, weather conditions during the growing and harvesting seasons, water supply, general growing conditions, the effect of insects, plant diseases and fungi, and glass, metal and plastic prices.

Fluctuations in commodity prices can lead to retail price volatility and intensive price competition, and can influence consumer and trade buying patterns.

The cost of labor, manufacturing, energy, fuel, packaging materials and other costs related to the production and distribution of our food products can from time to time increase significantly and unexpectedly. We attempt to manage these risks by entering into short-term supply contracts and advance commodities purchase agreements, implementing cost saving measures and raising sales prices. During the past three years, our cost saving measures and sales price increases have substantially offset increases to our raw material, ingredient and packaging costs. To the extent we are unable to offset present and future cost increases, our operating results will be negatively impacted.

## **Production**

*Manufacturing.* We operate ten manufacturing facilities for our products. See Item 2, “Properties” for a listing of our manufacturing facilities.

*Co-Packing Arrangements.* In addition to our own manufacturing facilities, we source a significant portion of our products under “co-packing” arrangements, a common industry practice in which manufacturing is outsourced to other companies. We regularly evaluate our co-packing arrangements to ensure the most cost-effective manufacturing of our products and to utilize company-owned manufacturing facilities most effectively. Third parties located in U.S. and foreign locations produce our *Back to Nature*, *Baker’s Joy*, *Bear Creek Country Kitchens*, *Canoleo*, *Cream of Rice*, *Crock Pot*, *Green Giant*, *JJ Flats*, *Joan of Arc*, *Le Sueur*, *MacDonald’s*, *New York Flatbreads*, *Pirate Brands*, *Regina*, *SnackWell’s*, *Spring Tree*, *Static Guard*, *Sugar Twin* and *TrueNorth* products and certain *B&G*, *Cary’s*, *Cream of Wheat*, *Emeril’s*, *Las Palmas* and *Ortega* products under co-packing agreements or purchase orders. Each of our co-packers produces products for other companies as well. We believe that there are alternative sources of co-packing production readily available for the majority of our products, although we may experience short-term disturbances in our operations if we are required to change our co-packing arrangements unexpectedly.

Following the *Green Giant* acquisition, a portion of our *Green Giant* products were manufactured for us by General Mills at a General Mills facility located in Belvidere, Illinois pursuant to a two year transition co-packing agreement that expired on November 2, 2017. During 2017, we completed our relocation of that production to a B&G Foods manufacturing facility and co-packer manufacturing facilities.

## **Trademarks and Licensing Agreements**

*Trademarks.* We consider our trademarks, in the aggregate, to be material to our business. We protect our trademarks by registration in the United States, Canada and in other countries where we sell our products. We also oppose any infringement in key markets. Trademark protection continues in some countries for as long as the mark is used and in other countries for as long as it is registered. Registrations generally are for renewable, fixed terms. Examples of our trademarks and registered trademarks include *Ac’cent*, *Back to Nature*, *B&G*, *B&G Sandwich Toppers*, *B&M*, *Baker’s Joy*, *Bear Creek Country Kitchens*, *Brer Rabbit*, *Canoleo*, *Cary’s*, *Cream of Rice*, *Cream of Wheat*, *Devonsheer*, *Don Pepino*, *Durkee*, *Emeril’s*, *Grandma’s*, *Green Giant*, *JJ Flats*, *Joan of Arc*, *Las Palmas*, *Le Sueur*, *MacDonald’s*, *Mama Mary’s*, *Maple Grove Farms of Vermont*, *Molly McButter*, *Mrs. Dash*, *New York Flatbreads*, *New York Style*, *Old London*, *Original Tings*, *Ortega*, *Pirate’s Booty*, *Polaner*, *Regina*, *Sa-són*, *Sclafani*, *Smart Puffs*, *SnackWell’s*, *Spice Islands*, *Spring Tree*, *Static Guard*, *Sugar Twin*, *Tone’s*, *Trappey’s*, *TrueNorth*, *Underwood*, *Vermont Maid*, *Victoria*, *Weber* and *Wright’s*.

*Inbound License Agreements.* From time to time we enter into in-bound licensing agreements. For example, we sell our *Emeril’s* brand products pursuant to a license agreement with Sequential Brands Group, *Cream of Wheat Cinnabon*<sup>®</sup>, a co-branded product, pursuant to a licensing agreement with Cinnabon, Inc., *Crock Pot*<sup>®</sup> Seasoning Mixes pursuant to a licensing agreement with Sunbeam Products, Inc. dba Jarden Consumer Solutions, *Weber* seasonings and other flavor enhancers pursuant to a licensing agreement with Weber-Stephen Products LLC. *French’s*<sup>®</sup> seasoning mixes are currently sold pursuant to a licensing agreement with French’s Food Company LLC, but that licensing

agreement has been terminated effective June 30, 2018. In addition, from time to time, our Pirate Brands products, *Cream of Wheat* products and products of certain other of our brands license from third parties, a variety of trademarks, including various Disney, Marvel and Nickelodeon characters.

*Outbound License Agreements.* We also enter from time to time enter into outbound license agreements for our trademarks and other intellectual property. For example, the *Green Giant* trademark is licensed to third parties for use in connection with their sale of fresh produce in the United States and Europe. We also license the *Green Giant* name and related intellectual property to General Mills for use with its sale of frozen and shelf stable products in Europe, Asia and in various other locations outside of the United States and Canada.

## **Employees and Labor Relations**

As of December 30, 2017, our workforce consisted of 2,680 employees. Of that total, 2,419 employees were engaged in manufacturing, 135 were engaged in marketing and sales, 62 were engaged in warehouse and distribution and 64 were engaged in administration. Approximately 61% of our employees, located at five facilities in the United States and one facility in Mexico, are covered by collective bargaining agreements. The agreements covering employees at the five facilities in the United States, which vary in term depending on the location, expire on December 31, 2019 (Brooklyn, NY; United Food and Commercial Workers, Local No. 342), March 31, 2020 (Roseland, New Jersey; International Brotherhood of Teamsters, Chauffeurs, Warehousemen & Helpers of America, Local No. 863), April 5, 2020 (Ankeny, Iowa; International Brotherhood of Teamsters, Local No. 238), March 27, 2021 (Stoughton, Wisconsin; Drivers, Salesmen, Warehousemen, Milk Processors, Cannery, Dairy Employees and Helpers Union, Local No. 695), and April 30, 2022 (Portland, Maine; Bakery, Confectionery, Tobacco Workers and Grain Millers International Union, AFL-CIO, Local No. 334). There are two unions representing employees at our facility in Mexico, (1) the Industrial Union of Stevedore Workers, Cargo Transport Operators and Similar from the Mexican Republic and (2) the Union of Agriculture Workers at the Service of the Region. Our collective bargaining agreements with these two unions do not expire, however, certain terms of the agreements must be reviewed periodically. None of our collective bargaining agreements is scheduled to expire within one year.

## **Government Regulation**

As a manufacturer and marketer of food and household products, our operations are subject to extensive regulation by the United States Food and Drug Administration (FDA), the United States Department of Agriculture (USDA), the Federal Trade Commission (FTC), the Consumer Product Safety Commission (CPSC), the United States Department of Labor, the Environmental Protection Agency and various other federal, state, local and foreign authorities (including government authorities in Canada and Mexico) regarding the manufacturing, processing, packaging, storage, labeling, sale and distribution of our products and the health and safety of our employees. Our manufacturing facilities and products are subject to periodic inspection by federal, state, local and foreign authorities. In addition, our meat processing operation in Portland, Maine is subject to daily inspection by the USDA.

We are subject to the Food, Drug and Cosmetic Act and the Food Safety Modernization Act and the regulations promulgated thereunder by the FDA. This comprehensive regulatory program governs, among other things, the manufacturing, composition and ingredients, labeling, packaging and safety of food. We are also subject to the U.S. Bio-Terrorism Act of 2002 which imposes on us import and export regulations. Under the Bio-Terrorism Act we are required, among other things, to provide specific information about the food products we ship into the United States and to register our manufacturing, warehouse and distribution facilities with the FDA.

We believe that we are currently in substantial compliance with all material governmental laws and regulations and maintain all material permits and licenses relating to our operations. Nevertheless, there can be no assurance that we are in full compliance with all such laws and regulations or that we will be able to comply with any future laws and regulations in a cost-effective manner. Failure by us to comply with applicable laws and regulations could subject us to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, all of which could have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity.

## **Environmental Matters**

*Environmental Sustainability.* As part of our commitment to being a good corporate citizen, we consider environmental sustainability to be an important strategic focus area. For instance, our manufacturing operations have a variety of initiatives in place to reduce energy usage, conserve water, improve wastewater management, reduce packaging and where possible use recycled and recyclable packaging. We continue to evaluate and modify our manufacturing and other processes on an ongoing basis to mitigate risk and further reduce our impact on the environment, conserve water and reduce waste.

*Environmental Laws and Regulations.* We are also subject to environmental laws and regulations in the normal course of business. We have not made any material expenditures during the last three fiscal years in order to comply with environmental laws or regulations. Based on our experience to date, we believe that the future cost of compliance with existing environmental laws and regulations (and liability for known environmental conditions) will not have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity. However, we cannot predict what environmental laws or regulations will be enacted in the future or how existing or future laws or regulations will be enforced, administered or interpreted, nor can we predict the amount of future expenditures that may be required in order to comply with such environmental laws or regulations or to respond to such environmental claims.

## **Available Information**

Under the Securities Exchange Act of 1934, as amended, we are required to file with or furnish to the SEC annual, quarterly and current reports, proxy and information statements and other information. You may read and copy any document we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1.800.SEC.0330 for further information about the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. We file electronically with the SEC.

We make available, free of charge, through the investor relations section of our web site, our reports on Forms 10-K, 10-Q and 8-K, and amendments to those reports, filed with or furnished to the SEC as soon as reasonably practicable after they are filed or furnished to the SEC. The address for the investor relations section of our web site is <http://ir.bgfoods.com>.

The full text of the charters for each of the audit, compensation and nominating and governance committees of our board of directors as well as our Code of Business Conduct and Ethics is available at the investor relations section of our web site, <http://ir.bgfoods.com>. Our Code of Business Conduct and Ethics applies to all of our employees, officers and directors, including our chief executive officer and our chief financial officer and principal accounting officer. We intend to disclose any amendment to, or waiver from, a provision of the Code of Business Conduct and Ethics that applies to our chief executive officer or chief financial officer and principal accounting officer in the investor relations section of our web site.

The information contained on our web site is not part of, and is not incorporated in, this or any other report we file with or furnish to the SEC.

## **Item 1A. Risk Factors.**

Any investment in our company will be subject to risks inherent to our business. Before making an investment decision, investors should carefully consider the risks described below together with all of the other information included in this report. The risks and uncertainties described below are not the only ones facing our company. Additional risks and uncertainties that we are not aware of or focused on or that we currently deem immaterial may also impair our business operations. This report is qualified in its entirety by these risk factors.

Any of the following risks could materially and adversely affect our business, consolidated financial condition, results of operations or liquidity. In that case, holders of our securities may lose all or part of their investment.

## **Risks Specific to Our Company**

### ***The packaged food industry is highly competitive.***

The packaged food industry is highly competitive. Numerous brands and products, including private label products, compete for shelf space and sales, with competition based primarily on product quality, convenience, price, trade promotion, brand recognition and loyalty, customer service, effective consumer advertising and promotional activities and the ability to identify and satisfy emerging consumer preferences. We compete with a significant number of companies of varying sizes, including divisions or subsidiaries of larger companies. Many of these competitors have multiple product lines, substantially greater financial and other resources available to them and may have lower fixed costs and/or are substantially less leveraged than our company. If we are unable to continue to compete successfully with these companies or if competitive pressures or other factors cause our products to lose market share or result in significant price erosion, our business, our consolidated financial condition, results of operations or liquidity could be materially and adversely affected.

### ***We may be unable to maintain our profitability in the face of a consolidating retail environment.***

Our largest customer, Wal-Mart, accounted for 24.1% of our fiscal 2017 net sales, and our ten largest customers together accounted for approximately 54.6% of our fiscal 2017 net sales. As the retail grocery trade continues to consolidate and our retail customers grow larger and become more sophisticated, our retail customers may demand lower pricing and increased promotional programs. Further, these customers are reducing their inventories and increasing their emphasis on products that hold either the number one or number two market position and private label products. If we fail to use our sales and marketing expertise to maintain our category leadership positions to respond to these trends, or if we lower our prices or increase promotional support of our products and are unable to increase the volume of our products sold, our profitability and financial condition may be adversely affected.

### ***We are vulnerable to decreases in the supply and increases in the price of raw materials and labor, manufacturing, distribution and other costs, and we may not be able to offset increasing costs by increasing prices to our customers.***

We purchase agricultural products, including vegetables and spices and seasonings, meat, poultry, other raw materials, ingredients and packaging materials from growers, commodity processors, other food companies and packaging manufacturers. Raw materials, ingredients and packaging materials are subject to increases in price attributable to a number of factors, including changes in crop size, federal and state agricultural programs, export demand, currency exchange rates, energy and fuel costs, water supply, weather conditions during the growing and harvesting seasons, insects, plant diseases and fungi, and glass, metal and plastic prices. Fluctuations in commodity prices can lead to retail price volatility and intensive price competition, and can influence consumer and trade buying patterns. The cost of labor, manufacturing, energy, fuel, packaging materials and other costs related to the production and distribution of our products can from time to time increase significantly and unexpectedly. We attempt to manage these risks by entering into short-term supply contracts and advance commodities purchase agreements from time to time, by implementing cost saving measures and by raising sales prices. During the past three years, our cost saving measures and sales price increases substantially offset increases to our raw material, ingredient and packaging costs. To the extent we are unable to offset present and future cost increases, our operating results will be negatively impacted.

### ***We may be unable to offset any reduction in net sales in our mature food product categories through an increase in trade spending for these categories or an increase in net sales in other categories.***

Most of our food product categories are mature and certain categories have experienced declining consumption rates from time to time. If consumption rates and sales in our mature food product categories decline, our revenue and operating income may be adversely affected, and we may not be able to offset this decrease in business with increased trade spending or an increase in sales or profitability of other products and product categories.

### ***We may have difficulties integrating acquisitions or identifying new acquisitions.***

A major part of our strategy is to grow through acquisition. We completed the *Back to Nature* acquisition in October 2017 and we expect to pursue additional acquisitions of food product lines and businesses. However, we may be unable to identify and consummate additional acquisitions or may be unable to successfully integrate and manage the product lines or businesses that we have recently acquired or may acquire in the future. In addition, we may be unable to



achieve a substantial portion of any anticipated cost savings from acquisitions or other anticipated benefits in the timeframe we anticipate, or at all. Moreover, any acquired product lines or businesses may require a greater than anticipated amount of trade, promotional and capital spending. Acquisitions involve numerous risks, including difficulties in the assimilation of the operations, technologies, services and products of the acquired companies, personnel turnover and the diversion of management's attention from other business concerns. Any inability by us to integrate and manage any product lines or businesses that we have recently acquired or may acquire in the future in a timely and efficient manner, any inability to achieve a substantial portion of any anticipated cost savings or other anticipated benefits from these acquisitions in the time frame we anticipate or any unanticipated required increases in trade, promotional or capital spending could adversely affect our business, consolidated financial condition, results of operations or liquidity. Moreover, future acquisitions by us could result in our incurring substantial additional indebtedness, being exposed to contingent liabilities or incurring the impairment of goodwill and other intangible assets, all of which could adversely affect our financial condition, results of operations and liquidity.

***We have substantial indebtedness, which could restrict our ability to pay dividends and impact our financing options and liquidity position.***

At December 30, 2017, we had total long-term indebtedness of \$2,250.1 million (before debt discount), including \$650.1 million principal amount of senior secured indebtedness (which we subsequently reduced to \$600.1 million during the first quarter of 2018) and \$1,600.0 million principal amount of senior unsecured indebtedness. Our ability to pay dividends is subject to contractual restrictions contained in the instruments governing our indebtedness. Although our credit agreement and the indentures governing our senior notes (which we refer to as the senior notes indentures) contain covenants that restrict our ability to incur debt, as long as we meet these covenants we will be able to incur additional indebtedness. The degree to which we are leveraged on a consolidated basis could have important consequences to the holders of our securities, including:

- our ability in the future to obtain additional financing for working capital, capital expenditures or acquisitions may be limited;
- we may not be able to refinance our indebtedness on terms acceptable to us or at all;
- a significant portion of our cash flow is likely to be dedicated to the payment of interest on our indebtedness, thereby reducing funds available for future operations, capital expenditures, acquisitions and/or dividends on our common stock; and
- we may be more vulnerable to economic downturns and be limited in our ability to withstand competitive pressures.

***We are subject to restrictive debt covenants and other requirements related to our debt that limit our business flexibility by imposing operating and financial restrictions on our operations.***

The agreements governing our indebtedness impose significant operating and financial restrictions on us. These restrictions prohibit or limit, among other things:

- the incurrence of additional indebtedness and the issuance of certain preferred stock or redeemable capital stock;
- the payment of dividends on, and purchase or redemption of, capital stock;
- a number of restricted payments, including investments;
- specified sales of assets;
- specified transactions with affiliates;

- the creation of certain types of liens;
- consolidations, mergers and transfers of all or substantially all of our assets; and
- entry into certain sale and leaseback transactions.

Our credit agreement requires us to maintain specified financial ratios and satisfy financial condition tests, including, without limitation, a maximum leverage ratio and a minimum interest coverage ratio.

Our ability to comply with the ratios or tests may be affected by events beyond our control, including prevailing economic, financial and industry conditions. A breach of any of these covenants, or failure to meet or maintain ratios or tests could result in a default under our credit agreement and/or our senior notes indentures. Certain events of default under our credit agreement and our senior notes indentures would prohibit us from paying dividends on our common stock. In addition, upon the occurrence of an event of default under our credit agreement or our senior notes indentures, the lenders could elect to declare all amounts outstanding under the credit agreement and the senior notes, together with accrued interest, to be immediately due and payable. If we were unable to repay those amounts, the credit agreement lenders could proceed against the security granted to them to secure that indebtedness. If the lenders accelerate the payment of the indebtedness, our assets may not be sufficient to repay in full this indebtedness and our other indebtedness.

***To service our indebtedness, we require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.***

Our ability to make interest payments on and to refinance our indebtedness, and to fund planned capital expenditures and potential acquisitions depends on our ability to generate cash flow from operations in the future. This ability, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

A significant portion of our cash flow from operations is dedicated to servicing our debt requirements. In addition, in accordance with our current dividend policy we intend to continue distributing a significant portion of any remaining cash flow to our stockholders as dividends.

Our ability to continue to expand our business is, to a certain extent, dependent upon our ability to borrow funds under our credit agreement and to obtain other third-party financing, including through the issuance and sale of additional debt or equity securities.

***Financial market conditions may impede our access to, or increase the cost of, financing for acquisitions.***

Any future financial market disruptions or tightening of the credit markets, may make it more difficult for us to obtain financing for acquisitions or increase the cost of obtaining financing. In addition, our borrowing costs can be affected by short and long-term debt ratings assigned by independent rating agencies that are based, in significant part, on our performance as measured by credit metrics such as interest coverage and leverage ratios. A decrease in these ratings could increase our cost of borrowing or make it more difficult for us to obtain financing.

***Future disruptions in the credit markets or other factors, could impair our ability to refinance our debt upon terms acceptable to us or at all.***

Our \$700.0 million revolving credit facility matures on November 21, 2022, our \$600.1 million of tranche B term loan borrowings mature on November 2, 2022, our \$700.0 million of 4.625% senior notes mature on June 1, 2021 and our \$900.0 million of 5.25% senior notes mature on April 1, 2025. Our ability to raise debt or equity capital in the public or private markets in order to effect a refinancing of our debt at or prior to maturity could be impaired by various factors, including factors beyond our control. For example, in recent years U.S. credit markets experienced significant dislocations and liquidity disruptions that caused the spreads on prospective debt financings to widen considerably. These circumstances materially impacted liquidity in the debt markets, making financing terms for borrowers less attractive, and in certain cases resulted in the unavailability of certain types of debt financing. Any future uncertainty in

the credit markets could negatively impact our ability to access additional debt financing or to refinance existing indebtedness on favorable terms, or at all. In addition, any future uncertainty in other financial markets in the U.S. could make it more difficult or costly for us to raise capital through the issuance of common stock or other equity securities. Any of these risks could impair our ability to fund our operations or limit our ability to expand our business or increase our interest expense, which could have a material adverse effect on our financial results.

If we are unable to refinance our indebtedness at or prior to maturity on commercially reasonable terms or at all, we would be forced to seek other alternatives, including:

- sales of assets;
- sales of equity; and
- negotiations with our lenders or noteholders to restructure the applicable debt.

If we are forced to pursue any of the above options, our business and/or the value of an investment in our securities could be adversely affected.

***We rely on co-packers for a significant portion of our manufacturing needs, and the inability to enter into additional or future co-packing agreements may result in our failure to meet customer demand.***

We rely upon co-packers for a significant portion of our manufacturing needs. The success of our business depends, in part, on maintaining a strong sourcing and manufacturing platform. We believe that there are a limited number of competent, high-quality co-packers in the industry, and if we were required to obtain additional or alternative co-packing agreements or arrangements in the future, we can provide no assurance that we would be able to do so on satisfactory terms or in a timely manner. Our inability to enter into satisfactory co-packing agreements could limit our ability to implement our business plan or meet customer demand.

***We rely on the performance of major retailers, wholesalers, specialty distributors and mass merchants for the success of our business, and should they perform poorly or give higher priority to other brands or products, our business could be adversely affected.***

We sell our products principally to retail outlets and wholesale distributors including, traditional supermarkets, mass merchants, warehouse clubs, wholesalers, foodservice distributors and direct accounts, specialty food distributors, military commissaries and non-food outlets such as drug store chains, dollar stores and e-tailers. The replacement by or poor performance of our major wholesalers, retailers or chains or our inability to collect accounts receivable from our customers could materially and adversely affect our results of operations and financial condition. In addition, our customers offer branded and private label products that compete directly with our products for retail shelf space and consumer purchases. Accordingly, there is a risk that our customers may give higher priority to their own products or to the products of our competitors. In the future, our customers may not continue to purchase our products or provide our products with adequate levels of promotional support. It is also possible that our customers may replace our branded products with private label products.

***We may be unable to anticipate changes in consumer preferences and consumer demographics, which may result in decreased demand for our products.***

Our success depends in part on our ability to anticipate and offer products that appeal to the changing tastes, dietary habits and product packaging preferences of consumers in the market categories in which we compete. If we are not able to anticipate, identify or develop and market products that respond to these changes in consumer preferences, whether resulting from changing consumer demographics or otherwise, demand for our products may decline and our operating results may be adversely affected. In addition, we may incur significant costs related to developing and marketing new products or expanding our existing product lines in reaction to what we perceive to be increased consumer preference or demand. Such development or marketing may not result in the volume of sales or profitability anticipated.

***Severe weather conditions and natural disasters can affect crop supplies and reduce our operating results.***

Severe weather conditions and natural disasters, such as floods, droughts, frosts, earthquakes or pestilence, may affect the supply of the raw materials that we use for our products. Our maple syrup products, for instance, are particularly susceptible to severe freezing conditions in Québec, Canada and Vermont during the season in which maple syrup is produced. Our *Green Giant* frozen vegetable manufacturing facility in Irapuato, Mexico is located in a region affected by water scarcity and restrictions on usage. Competing manufacturers can be affected differently by weather conditions and natural disasters depending on the location of their supplies. If our supplies of raw materials are reduced, we may not be able to find supplemental supply sources on favorable terms or at all, which could adversely affect our business and operating results.

***Climate change, water scarcity or legal, regulatory, or market measures to address climate change or water scarcity, could negatively affect our business and operations.***

In the event that climate change has a negative effect on agricultural productivity, we may be subject to decreased availability or less favorable pricing for certain commodities that are necessary for our products. We may also be subjected to decreased availability or less favorable pricing for water as a result of such change, which could impact our manufacturing and distribution operations. For example, our *Green Giant* frozen vegetable manufacturing facility in Irapuato, Mexico is already affected by water scarcity in that region of Mexico. Any further restrictions on, or loss of, water rights due to water scarcity, water rights violations or otherwise for our Irapuato manufacturing facility could have a material adverse effect on our business and operating results.

The increasing concern over climate change also may result in more regional, federal, foreign and/or global legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases. In the event that such regulation is enacted and is more aggressive than the sustainability measures that we are currently undertaking to monitor our emissions and improve our energy and resource efficiency, we may experience significant increases in our manufacturing and distribution costs. In particular, increasing regulation of fuel emissions could substantially increase the supply chain and distribution costs associated with our products. As a result, climate change or increased concern over climate change could negatively affect our business and operations.

***Most of our products are sourced from single manufacturing sites, which means disruptions in our or our co-packers operations for any number of reasons could have a material adverse effect on our business.***

Our products are manufactured at many different manufacturing facilities, including our ten manufacturing facilities and manufacturing facilities operated by our co-packers. However, in most cases, individual products are produced only at a single location. If any of these manufacturing locations experiences a disruption for any reason, including a work stoppage, power failure, fire, or weather related condition or natural disaster, etc., this could result in a significant reduction or elimination of the availability of some of our products. If we were not able to obtain alternate production capability in a timely manner or on satisfactory terms, this could have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity.

***Our operations are subject to numerous laws and governmental regulations, exposing us to potential claims and compliance costs that could adversely affect our business.***

Our operations are subject to extensive regulation by the FDA, the USDA, the FTC, the CPSC, the United States Department of Labor, the Environmental Protection Agency and various other federal, state, local and foreign authorities. We are also subject to U.S. laws affecting operations outside of the United States, including anti-bribery laws such as the Foreign Corrupt Practices Act (FCPA). Any changes in these laws and regulations, or any changes in how existing or future laws or regulations will be enforced, administered or interpreted could increase the cost of developing, manufacturing and distributing our products or otherwise increase the cost of conducting our business, or expose us to additional risk of liabilities and claims, which could have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity. In addition, failure by us to comply with applicable laws and regulations, including future laws and regulations, could subject us to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity. See Item 1, “Business—Government Regulation” and “—Environmental Matters.”

***Failure by third-party co-packers or suppliers of raw materials to comply with food safety, environmental or other regulations may disrupt our supply of certain products and adversely affect our business.***

We rely on co-packers to produce certain of our products and on other suppliers to supply raw materials. Such co-packers and other suppliers, whether in the United States or outside the United States, are subject to a number of regulations, including food safety and environmental regulations. Failure by any of our co-packers or other suppliers to comply with regulations, or allegations of compliance failure, may disrupt their operations. Disruption of the operations of a co-packer or other suppliers could disrupt our supply of product or raw materials, which could have an adverse effect on our business, consolidated financial condition, results of operations or liquidity. Additionally, actions we may take to mitigate the impact of any such disruption or potential disruption, including increasing inventory in anticipation of a potential production or supply interruption, may adversely affect our business, consolidated financial condition, results of operations or liquidity.

***A recall of our products could have a material adverse effect on our business. In addition, we may be subject to significant liability should the consumption of any of our products cause injury, illness or death.***

The sale of food products for human consumption involves the risk of injury to consumers. Such injuries may result from mislabeling, tampering by unauthorized third parties or product contamination or spoilage, including the presence of foreign objects, substances, chemicals, other agents or residues introduced during the growing, manufacturing, storage, handling or transportation phases of production. Under certain circumstances, we may be required to recall products, leading to a material adverse effect on our business, consolidated financial condition, results of operations or liquidity. Even if a situation does not necessitate a recall, product liability claims might be asserted against us. We have from time to time been involved in product liability lawsuits, none of which have been material to our business. While we are subject to governmental inspection and regulations and believe our facilities comply in all material respects with all applicable laws and regulations, if the consumption of any of our products causes, or is alleged to have caused, a health-related illness in the future we may become subject to claims or lawsuits relating to such matters. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused injury, illness or death could adversely affect our reputation with existing and potential customers and our corporate and brand image. Moreover, claims or liabilities of this sort might not be covered by our insurance or by any rights of indemnity or contribution that we may have against others. We maintain product liability insurance and product contamination insurance in amounts we believe to be adequate. However, we cannot assure you that we will not incur claims or liabilities for which we are not insured or that exceed the amount of our insurance coverage. A product liability judgment against us or a product recall or the damage to our reputation resulting therefrom could have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity.

***Pending and future litigation may lead us to incur significant costs.***

We are, or may become, party to various lawsuits and claims arising in the normal course of business, which may include lawsuits or claims relating to contracts, intellectual property, product recalls, product liability, the marketing and labeling of products, employment matters, environmental matters or other aspects of our business. Even when not merited, the defense of these lawsuits may divert our management's attention, and we may incur significant expenses in defending these lawsuits. In addition, we may be required to pay damage awards or settlements or become subject to injunctions or other equitable remedies, which could have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity. The outcome of litigation is often difficult to predict, and the outcome of pending or future litigation may have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity.

***Consumer concern regarding the safety and quality of food products or health concerns could adversely affect sales of certain of our products.***

If consumers in our principal markets lose confidence in the safety and quality of our food products even without a product liability claim or a product recall, our business could be adversely affected. Consumers have been increasingly focused on food safety and health and wellness with respect to the food products they buy. We have been and will continue to be impacted by publicity concerning the health implications of food products generally, which could negatively influence consumer perception and acceptance of our products and marketing programs. Developments in any of these areas could cause our results to differ materially from results that have been or may be projected.

***A weakening of the U.S. dollar in relation to the Canadian dollar would significantly increase our future costs relating to the production of maple syrup products.***

We purchase a significant majority of our maple syrup requirements from suppliers in Québec, Canada. A weakening of the U.S. dollar in relation to the Canadian dollar would significantly increase our future costs relating to the production of our maple syrup products to the extent we have not purchased Canadian dollars or otherwise entered into a currency hedging arrangement in advance of any such weakening of the U.S. dollar. These increased costs may not be fully offset by the positive impact the change in the relative strength of the Canadian dollar versus the U.S. dollar would have on our net sales in Canada.

***Our operations in foreign countries are subject to political, economic and foreign currency risk.***

Our relationships with foreign suppliers and co-packers as well as our manufacturing location in Irapuato, Mexico also subject us to the risks of doing business outside the United States. The countries from which we source our raw materials and certain of our finished goods may be subject to political and economic instability, and may periodically enact new or revise existing laws, taxes, duties, quotas, tariffs, currency controls or other restrictions to which we are subject, including restrictions on the transfer of funds to and from foreign countries or the nationalization of operations. Our products are subject to import duties and other restrictions, and the U.S. government may periodically impose new or revise existing duties, quotas, tariffs or other restrictions to which we are subject, including restrictions on the transfer of funds to and from foreign countries.

In particular, if the United States takes action to withdraw from or materially modify the North American Free Trade Agreement (NAFTA) or certain other international trade agreements, or establish a “border tax,” our business, financial condition and results of operations could be materially and adversely affected.

In addition, changes in respective wage rates among the countries from which we and our competitors source product could substantially impact our competitive position. Changes in exchange rates, import/export duties or relative international wage rates applicable to us or our competitors could adversely impact our business, financial condition and results of operations. These changes may impact us in a different manner than our competitors.

Our financial performance on a U.S. dollar denominated basis is subject to fluctuations in currency exchange rates. These fluctuations could cause material variations in our results of operations. Our principal exposures are to the Canadian dollar and the Mexican peso. For example, our foreign sales are primarily to customers in Canada. Net sales in Canada accounted for 5.5% of our total net sales in 2017. Although our sales for export to other countries are generally denominated in U.S. dollars, our sales to Canada are generally denominated in Canadian dollars. As a result, our net sales to Canada are subject to the effect of foreign currency fluctuations, and these fluctuations could have an adverse impact on operating results. From time to time, we may enter into agreements that are intended to reduce the effects of our exposure to currency fluctuations, but these agreements may not be effective in significantly reducing our exposure.

***Litigation regarding our trademarks and any other proprietary rights and intellectual property infringement claims may have a significant negative impact on our business.***

We maintain an extensive trademark portfolio that we consider to be of significant importance to our business. If the actions we take to establish and protect our trademarks and other proprietary rights are not adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products as an alleged violation of their trademarks and proprietary rights, it may be necessary for us to initiate or enter into litigation in the future to enforce our trademark rights or to defend ourselves against claimed infringement of the rights of others. Any legal proceedings could result in an adverse determination that could have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity.

***We face risks associated with our defined benefit pension plans and multiemployer pension plan obligations.***

We maintain four defined benefit pension plans that cover approximately 40% of our employees. A deterioration in the value of plan assets resulting from poor market performance, a general financial downturn or otherwise could cause an increase in the amount of contributions we are required to make to these plans. For example, our defined benefit pension plans may from time to time move from an overfunded to underfunded status driven by

decreases in plan asset values that may result from changes in long-term interest rates and disruptions in U.S. or global financial markets. Additionally, historically low interest rates coupled with poor market performance would have the effect of decreasing the funded status of these plans which would result in greater required contributions. For a more detailed description of these plans, see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies; Use of Estimates—Pension Expense” and Note 12, “Pension Benefits,” to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

We also participate in a multiemployer pension plan maintained by the labor union representing certain of our employees at our Portland, Maine facility. We make periodic contributions to this plan pursuant to the terms of a collective bargaining agreement. In the event that we withdraw from participation in this plan or substantially reduce our participation in this plan (such as due to a workforce reduction), applicable law could require us to make withdrawal liability payments to the plan, and we would have to reflect that liability on our balance sheet. The amount of our withdrawal liability would depend on the extent of this plan’s funding of vested benefits at the time of our withdrawal. Furthermore, our withdrawal liability could increase as the number of employers participating in this plan decreases.

For a more detailed description of this multiemployer plan, see Note 12, “Pension Benefits,” to our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K.

An obligation to make additional, unanticipated contributions to our defined benefit plans or the multiemployer plan described above could reduce the cash available for working capital and other corporate uses, and may have a material adverse effect on our business, consolidated financial position, results of operations and liquidity.

***Our financial well-being could be jeopardized by unforeseen changes in our employees’ collective bargaining agreements, shifts in union policy or labor disruptions in the food industry.***

As of December 30, 2017, approximately 61% of our 2,680 employees were covered by collective bargaining agreements. A prolonged work stoppage or strike at any of our facilities with union employees or a significant work disruption from other labor disputes in the food or related industries could have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity. If prior to the expiration of any of our existing collective bargaining agreements we are unable to reach new agreements without union action or any such new agreements are not on terms satisfactory to us, our business, consolidated financial condition, results of operations or liquidity could be materially and adversely affected.

***We are increasingly dependent on information technology; Disruptions, failures or security breaches of our information technology infrastructure could have a material adverse effect on our operations.***

Information technology is critically important to our business operations. We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic and financial information, to manage a variety of business processes and activities, including manufacturing, financial, logistics, sales, marketing and administrative functions. We depend on our information technology infrastructure to communicate internally and externally with employees, customers, suppliers and others. We also use information technology networks and systems to comply with regulatory, legal and tax requirements. These information technology systems, many of which are managed by third parties or used in connection with shared service centers, may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, computer viruses, attacks by computer hackers or other cybersecurity risks, telecommunication failures, user errors, natural disasters, terrorist attacks or other catastrophic events. If any of our significant information technology systems suffer severe damage, disruption or shutdown, and our disaster recovery and business continuity plans do not effectively resolve the issues in a timely manner, our product sales, financial condition and results of operations may be materially and adversely affected, and we could experience delays in reporting our financial results.

In addition, if we are unable to prevent physical and electronic break-ins, cyber-attacks and other information security breaches, we may suffer financial and reputational damage, be subject to litigation or incur remediation costs or penalties because of the unauthorized disclosure of confidential information belonging to us or to our partners, customers, suppliers or employees. The mishandling or inappropriate disclosure of non-public sensitive or protected

information could lead to the loss of intellectual property, negatively impact planned corporate transactions or damage our reputation and brand image. Misuse, leakage or falsification of legally protected information could also result in a violation of data privacy laws and regulations and have a negative impact on our reputation, business, financial condition and results of operations.

***We may experience difficulties fully implementing our new enterprise resource planning system.***

We are implementing a new enterprise resource planning (ERP) system. The implementation of the new ERP system has required, and will continue to require, the investment of significant financial and human resources. We may not be able to complete successfully the full implementation of the ERP systems without experiencing difficulties. Any disruptions, delays or deficiencies in the design and implementation of the new ERP system could adversely affect our ability to produce products, process orders, ship products, provide services and customer support, send invoices and track payments, fulfill contractual obligations, integrate acquisitions, or otherwise operate our business. It is also possible that the migration to a new ERP system could adversely affect our internal controls over financial reporting.

***If we are unable to retain our key management personnel, our growth and future success may be impaired and our results of operations could suffer as a result.***

Our success depends to a significant degree upon the continued contributions of senior management, certain of whom would be difficult to replace. As a result, departure by members of our senior management could have a material adverse effect on our business and results of operations. In addition, we do not maintain key-man life insurance on any of our executive officers.

***We are a holding company and we rely on dividends, interest and other payments, advances and transfers of funds from our subsidiaries to meet our obligations.***

We are a holding company, with all of our assets held by our direct and indirect subsidiaries, and we rely on dividends and other payments or distributions from our subsidiaries to meet our debt service obligations and to enable us to pay dividends. The ability of our subsidiaries to pay dividends or make other payments or distributions to us depends on their respective operating results and may be restricted by, among other things, the laws of their jurisdiction of organization (which may limit the amount of funds available for the payment of dividends), agreements of those subsidiaries, our credit agreement, our senior notes indentures and the covenants of any future outstanding indebtedness we or our subsidiaries incur.

***Future changes that increase cash taxes payable by us could significantly decrease our future cash flow available to make interest and dividend payments with respect to our securities.***

We are able to amortize goodwill and certain intangible assets within the meaning of Section 197 of the Internal Revenue Code of 1986. We expect to be able to amortize for tax purposes approximately \$1,265.3 million between 2018 and 2032. The expected annual deductions are approximately \$123.5 million for fiscal 2018, approximately \$118.8 million for fiscal 2019, approximately \$117.4 million for fiscal 2020, approximately \$114.4 million for fiscal 2021, approximately \$103.4 million for fiscal 2022, approximately \$101.2 million per year for fiscal 2023 through fiscal 2024, approximately \$100.9 million for fiscal 2025, approximately \$97.0 million for fiscal 2026, approximately \$77.1 million for fiscal 2027, approximately \$68.3 million for fiscal 2028, approximately \$61.0 million for fiscal 2029, approximately \$54.9 million for fiscal 2030, approximately \$22.2 million for fiscal 2031, and approximately \$4.0 million for fiscal 2032. If there is a change in U.S. federal tax policy that reduces any of these available deductions, eliminates, limits or reduces the interest deduction we receive on our substantial indebtedness, or otherwise results in an increase in our corporate tax rate, our cash taxes payable would increase, which could significantly reduce our future cash and impact our ability to make interest and dividend payments. Likewise, the ultimate impact of the U.S. Tax Cuts and Jobs Act signed into law on December 22, 2017 on our reported results in fiscal 2018 and beyond may differ from the estimates provided in this report, possibly materially, due to, among other things, changes in interpretations and assumptions we have made, guidance that may be issued, and other actions we may take as a result of the new tax law different from that currently contemplated. See Note 10, "Income Taxes," to our consolidated financial statements in Part II, Item 8 for information about the U.S. Tax Cuts and Jobs Act.



***A change in the assumptions used to value our goodwill or our unamortizable intangible assets could negatively affect our consolidated results of operations and net worth.***

Our total assets include substantial goodwill and unamortizable intangible assets (trademarks). These assets are tested for impairment at least annually and whenever events or circumstances occur indicating that goodwill or unamortizable intangibles might be impaired. The annual goodwill impairment test involves a two-step process. The first step of the impairment test involves comparing our company's market capitalization with our company's carrying value, including goodwill. If the carrying value of our company exceeds our market capitalization, we perform the second step of the impairment test to determine the amount of the impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of goodwill with the carrying value and recognizing a loss for the difference. We test our unamortizable intangibles by comparing the fair value with the carrying value and recognize a loss for the difference. We estimate the fair value of our unamortizable intangibles based on discounted cash flows that reflect certain third party market value indicators. Estimating our fair value for these purposes requires significant estimates and assumptions by management. We completed our annual impairment tests for fiscal 2017, 2016 and 2015 with no adjustments to the carrying values of goodwill and unamortizable intangibles. However, an interim impairment analysis relating to one of our brands performed during fiscal 2014, resulted in our company recording non-cash impairment charges to amortizable trademarks and customer relationship intangibles for the brand of \$26.9 million and \$7.3 million, respectively, during fiscal 2014. During the second quarter of 2016, we discontinued that brand because there was not sufficient demand to warrant continued production. Accordingly, we wrote off the related intangible assets and recorded non-cash impairment charges to amortizable trademarks and customer relationship intangibles of \$4.5 million and \$0.9 million, respectively, which are recorded in "Impairment of intangible assets" on the accompanying consolidated statement of operations for fiscal 2016. If operating results for any of our other brands, including newly acquired brands, deteriorate, at rates in excess of our current projections, we may be required to record additional non-cash impairment charges to certain intangible assets. In addition, any significant decline in our market capitalization, even if due to macroeconomic factors, could put pressure on the carrying value of our goodwill. A determination that all or a portion of our goodwill or unamortizable intangible assets are impaired, although a non-cash charge to operations, could have a material adverse effect on our business, consolidated financial condition and results of operations.

***Any future financial market disruptions or tightening of the credit markets could expose us to additional credit risks from customers and supply risks from suppliers and co-packers.***

Any future financial market disruptions or tightening of the credit markets could result in some of our customers experiencing a significant decline in profits and/or reduced liquidity. A significant adverse change in the financial and/or credit position of a customer could require us to assume greater credit risk relating to that customer and could limit our ability to collect receivables. A significant adverse change in the financial and/or credit position of a supplier or co-packer could result in an interruption of supply. This could have a material adverse effect on our business, consolidated financial condition, results of operations and liquidity.

**Risks Relating to our Securities**

***Holders of our common stock may not receive the level of dividends provided for in our dividend policy or any dividends at all.***

Dividend payments are not mandatory or guaranteed and holders of our common stock do not have any legal right to receive, or require us to pay, dividends. Our board of directors may, in its sole discretion, decrease the level of dividends provided for in our dividend policy or entirely discontinue the payment of dividends. Future dividends with respect to shares of our capital stock, if any, depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions (including restrictions in our credit agreement and senior notes indentures), business opportunities, provisions of applicable law (including certain provisions of the Delaware General Corporation Law) and other factors that our board of directors may deem relevant.

If our cash flows from operating activities were to fall below our minimum expectations (or if our assumptions as to capital expenditures or interest expense were too low or our assumptions as to the sufficiency of our revolving credit facility to finance our working capital needs were to prove incorrect), we may need either to reduce or eliminate dividends or, to the extent permitted under our credit agreement and senior notes indentures, fund a portion of our dividends with borrowings or from other sources. If we were to use working capital or permanent borrowings to fund

dividends, we would have less cash and/or borrowing capacity available for future dividends and other purposes, which could negatively impact our financial condition, results of operations, liquidity and ability to maintain or expand our business.

***Our dividend policy may negatively impact our ability to finance capital expenditures, operations or acquisition opportunities.***

Under our dividend policy, a substantial portion of our cash generated by our business in excess of operating needs, interest and principal payments on indebtedness, and capital expenditures sufficient to maintain our properties and assets is in general distributed as regular quarterly cash dividends to the holders of our common stock. As a result, we may not retain a sufficient amount of cash to finance growth opportunities or unanticipated capital expenditure needs or to fund our operations in the event of a significant business downturn. We may have to forego growth opportunities or capital expenditures that would otherwise be necessary or desirable if we do not find alternative sources of financing. If we do not have sufficient cash for these purposes, our financial condition and our business will suffer.

***Our certificate of incorporation authorizes us to issue without stockholder approval preferred stock that may be senior to our common stock in certain respects.***

Our certificate of incorporation authorizes the issuance of preferred stock without stockholder approval and, in the case of preferred stock, upon such terms as the board of directors may determine. The rights of the holders of shares of our common stock will be subject to, and may be adversely affected by, the rights of holders of any class or series of preferred stock that may be issued in the future, including any preferential rights that we may grant to the holders of preferred stock. The terms of any preferred stock we issue may place restrictions on the payment of dividends to the holders of our common stock. If we issue preferred stock that is senior to our common stock in right of dividend payment, and our cash flows from operating activities or surplus are insufficient to support dividend payments to the holders of preferred stock, on the one hand, and to the holders common stock, on the other hand, we may be forced to reduce or eliminate dividends to the holders of our common stock.

***Future sales or the possibility of future sales of a substantial number of shares of our common stock or other securities convertible or exchangeable into common stock may depress the price of our common stock.***

We may issue shares of our common stock or other securities convertible or exchangeable into common stock from time to time in future financings or as consideration for future acquisitions and investments. In the event any such future financing, acquisition or investment is significant, the number of shares of our common stock or other securities convertible or exchangeable into common stock that we may issue may in turn be significant. In addition, we may grant registration rights covering shares of our common stock or other securities convertible or exchangeable into common stock, as applicable, issued in connection with any such future financing, acquisitions and investments.

Future sales or the availability for sale of a substantial number of shares of our common stock or other securities convertible or exchangeable into common stock, whether issued and sold pursuant to our currently effective shelf registration statement or otherwise, would dilute our earnings per share and the voting power of each share of common stock outstanding prior to such sale or distribution, could adversely affect the prevailing market price of our securities and could impair our ability to raise capital through future sales of our securities.

***Our certificate of incorporation and bylaws and several other factors could limit another party's ability to acquire us and deprive our investors of the opportunity to obtain a takeover premium for their securities.***

Our certificate of incorporation and bylaws contain certain provisions that may make it difficult for another company to acquire us and for holders of our securities to receive any related takeover premium for their securities. For example, our certificate of incorporation authorizes the issuance of preferred stock without stockholder approval and upon such terms as the board of directors may determine. The rights of the holders of shares of our common stock will be subject to, and may be adversely affected by, the rights of holders of any class or series of preferred stock that may be issued in the future.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

Our corporate headquarters are located at Four Gatehall Drive, Parsippany, NJ 07054. Our manufacturing facilities are generally located near major customer markets and raw materials. Of our ten manufacturing facilities, eight are owned and two are leased. Management believes that our manufacturing facilities have sufficient capacity to accommodate our planned growth. Listed below are our manufacturing facilities and the principal warehouses, distribution centers and offices that we own or lease.

<u>Facility Location</u>	<u>Owned/Leased</u>	<u>Description</u>
Parsippany, New Jersey . . . . .	Leased	Corporate Headquarters
Mississauga, Ontario . . . . .	Leased	Canadian Headquarters
Ankeny, Iowa . . . . .	Owned	Manufacturing/Warehouse
Hurlock, Maryland . . . . .	Owned	Manufacturing/Warehouse
Irapuato, Mexico . . . . .	Owned	Manufacturing/Warehouse
Portland, Maine . . . . .	Owned	Manufacturing/Warehouse
Stoughton, Wisconsin . . . . .	Owned	Manufacturing/Warehouse
St. Johnsbury, Vermont . . . . .	Owned	Manufacturing/Warehouse
Williamstown, New Jersey . . . . .	Owned	Manufacturing/Warehouse
Yadkinville, North Carolina . . . . .	Owned	Manufacturing/Warehouse
Brooklyn, New York . . . . .	Leased	Manufacturing/Warehouse
Roseland, New Jersey . . . . .	Leased	Manufacturing/Warehouse
Easton, Pennsylvania . . . . .	Leased	Distribution Center
Houston, Texas . . . . .	Leased	Distribution Center
Joliet, Illinois . . . . .	Leased	Distribution Center
Lebanon, Tennessee . . . . .	Leased	Distribution Center
St. Evariste, Québec . . . . .	Owned	Storage Facility
Bentonville, Arkansas . . . . .	Leased	Sales Office

**Item 3. Legal Proceedings.**

The information set forth under the heading “*Legal Proceedings*” in Note 13 of Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K is incorporated herein by reference.

**Item 4. Mine Safety Disclosures.**

Not applicable.

## PART II

### Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

#### Market Information

Shares of our common stock are traded on the New York Stock Exchange under the symbol “BGS” and have been so traded since May 23, 2007. The following table sets forth the high and low sales prices of shares of our common stock for each of the quarterly periods indicated.

	<u>High</u>	<u>Low</u>
<b>Fiscal 2017</b>		
Fourth Quarter.....	\$ 39.75	\$ 31.51
Third Quarter .....	\$ 37.50	\$ 29.50
Second Quarter.....	\$ 43.10	\$ 35.45
First Quarter .....	\$ 47.75	\$ 38.85
<b>Fiscal 2016</b>		
Fourth Quarter.....	\$ 49.15	\$ 39.10
Third Quarter .....	\$ 52.84	\$ 44.55
Second Quarter.....	\$ 48.44	\$ 31.81
First Quarter .....	\$ 40.50	\$ 33.18

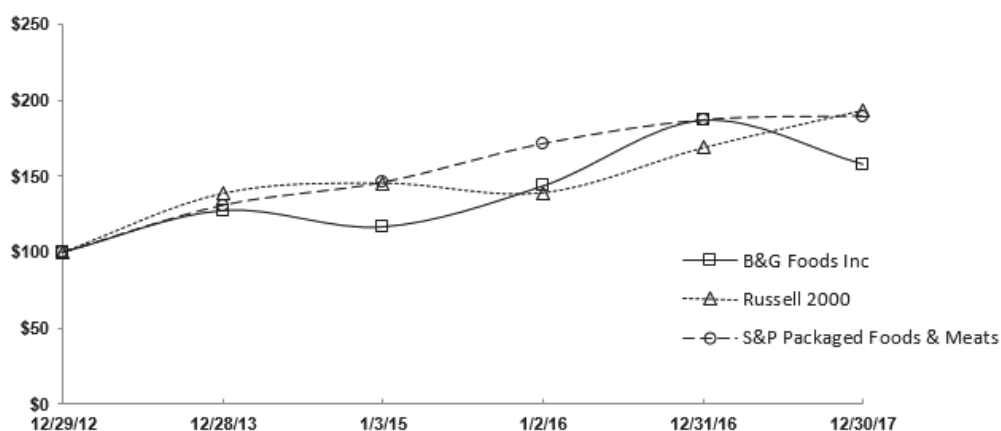
#### Holders

According to the records of our transfer agent, we had 70 holders of record of our common stock as of February 23, 2018, including Cede & Co. as nominee for The Depository Trust Company (DTC). Cede & Co. as nominee for DTC holds shares of our common stock on behalf of participants in the DTC system, which in turn hold the shares of common stock on behalf of beneficial owners.

## Performance Graph

Set forth below is a line graph comparing the change in the cumulative total shareholder return on our company's common stock with the cumulative total return of the Russell 2000 Index and the S&P Packaged Foods & Meats Index for the period from December 29, 2012 to December 30, 2017, assuming the investment of \$100 on December 29, 2012 and the reinvestment of dividends. The common stock price performance shown on the graph only reflects the change in our company's common stock price relative to the noted indices and is not necessarily indicative of future price performance.

**Comparison of 5 Year Cumulative Total Return  
Among B&G Foods, Inc. Common Stock, the Russell 2000 Index  
and the S&P Packaged Foods & Meats Index**



	<u>12/29/2012*</u>	<u>12/28/2013</u>	<u>1/3/2015</u>	<u>1/2/2016</u>	<u>12/31/2016</u>	<u>12/30/2017</u>
B&G Foods, Inc. (NYSE: BGS) .....	\$ 100.00	127.56	116.74	143.70	187.09	158.13
Russell 2000 Index .....	\$ 100.00	138.82	145.62	139.19	168.85	193.58
S&P Packaged Foods & Meats Index .....	\$ 100.00	130.84	145.90	171.27	186.92	189.45

\* \$100 invested on December 29, 2012 in B&G Foods' common stock or index, including reinvestment of dividends. Indexes calculated on month-end basis.

## Dividend Policy

### General

Our dividend policy reflects a basic judgment that our stockholders are better served when we distribute a substantial portion of our cash available to pay dividends to them instead of retaining it in our business. Under this policy, a substantial portion of the cash generated by our company in excess of operating needs, interest and principal payments on indebtedness, capital expenditures sufficient to maintain our properties and other assets is distributed as regular quarterly cash dividends to the holders of our common stock and not retained by us. We have paid dividends every quarter since our initial public offering in October 2004.

For fiscal 2017 and fiscal 2016, we had cash flows from operating activities of \$37.8 million and \$289.7 million, respectively, and distributed \$123.6 million and \$100.8 million as dividends, respectively. At our current dividend rate of \$1.86 per share per annum, we expect our aggregate dividend payments in 2018 to be approximately \$123.7 million.

The following table sets forth the dividends per share we have declared in each of the quarterly periods of 2017 and 2016:

	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>
Fourth Quarter .....	\$ 0.465	\$ 0.465
Third Quarter .....	\$ 0.465	\$ 0.420
Second Quarter .....	\$ 0.465	\$ 0.420
First Quarter .....	\$ 0.465	\$ 0.420

Under U.S. federal income tax law, distributions to holders of our common stock are taxable to the extent they are paid out of current or accumulated earnings and profits. Generally, the portion of the distribution treated as a return of capital should reduce the tax basis in the shares of common stock up to a holder's adjusted basis in the common stock, with any excess treated as capital gains. Qualifying dividend income and the return of capital, if any, will be allocated on a pro-forma basis to all distributions for each fiscal year. Based on U.S. federal income tax laws, B&G Foods has determined that for fiscal 2017 and fiscal 2016, 69.5% and 34.6%, respectively, of distributions paid on common stock will be treated as a return of capital and 30.5% and 65.4%, respectively, will be treated as a taxable dividend paid from earnings and profits.

Our dividend policy is based upon our current assessment of our business and the environment in which we operate, and that assessment could change based on competitive or other developments (which could, for example, increase our need for capital expenditures or working capital), new acquisition opportunities or other factors. Our board of directors is free to depart from or change our dividend policy at any time and could do so, for example, if it was to determine that we have insufficient cash to take advantage of growth opportunities.

#### *Restrictions on Dividend Payments*

Our ability to pay future dividends, if any, with respect to shares of our capital stock will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions, provisions of applicable law and other factors that our board of directors may deem relevant. Under Delaware law, our board of directors may declare dividends only to the extent of our "surplus" (which is defined as total assets at fair market value minus total liabilities, minus statutory capital), or if there is no surplus, out of our net profits for the then current and/or immediately preceding fiscal years. Our board of directors will periodically and from time to time assess the appropriateness of the then current dividend policy before actually declaring any dividends.

In general, our senior notes indentures restrict our ability to declare and pay dividends on our common stock as follows:

- we may use up to 100% of our excess cash (as defined below) for the period (taken as one accounting period) from and including March 31, 2013 to the end of our most recent fiscal quarter for which internal financial statements are available at the time of such payments, plus certain incremental funds described in the indentures for the payment of dividends so long as the fixed charge coverage ratio for the four most recent fiscal quarters for which internal financial statements are available is not less than 1.6 to 1.0; and
- we may not pay any dividends on any dividend payment date if a default or event of default under our indentures has occurred or is continuing.

Excess cash is defined in our senior notes indentures and under the terms of our credit agreement. Excess cash is calculated as "consolidated cash flow," as defined in the indentures and under the terms of our credit agreement (which, in each case, allows for certain adjustments and which is equivalent to the term adjusted EBITDA), minus the sum of cash tax expense, cash interest expense, certain capital expenditures, excess tax benefit from issuance of LTIA shares, certain repayment of indebtedness and the cash portion of restructuring charges.

In addition, the terms of our credit agreement also restrict our ability to declare and pay dividends on our common stock. In accordance with the terms of our credit agreement, we are not permitted to declare or pay dividends unless we are permitted to do so under our senior notes indentures. In addition, our credit agreement does not permit us to pay dividends unless we maintain:

- a “consolidated interest coverage ratio” (defined as the ratio of our adjusted EBITDA for any period of four consecutive fiscal quarters to our consolidated interest expense for such period payable in cash) of not less than 1.75 to 1.00; and
- a “consolidated leverage ratio” (defined as the ratio of our consolidated net debt, as of the last day of any period of four consecutive fiscal quarters to our adjusted EBITDA for such period) of not more than 7.00 to 1.00.

#### **Recent Sales of Unregistered Securities**

We did not issue any unregistered securities in fiscal 2017.

#### **Issuer Purchases of Equity Securities**

We did not repurchase any shares of our common stock during the fourth quarter of fiscal 2017.

## Item 6. Selected Financial Data.

The following selected historical consolidated financial data should be read in conjunction with Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited consolidated financial statements and related notes to those statements included in this report. The selected historical consolidated financial data as of and for the fiscal years ended December 30, 2017 (fiscal 2017), December 31, 2016 (fiscal 2016), January 2, 2016 (fiscal 2015), January 3, 2015 (fiscal 2014) and December 28, 2013 (fiscal 2013) have been derived from our audited consolidated financial statements.

	Fiscal 2017	Fiscal 2016	Fiscal 2015	Fiscal 2014	Fiscal 2013
	(In thousands, except per share data and ratios)				
<b>Consolidated Statement of Operations Data<sup>(1)</sup>:</b>					
Net sales <sup>(2)</sup> . . . . .	\$1,668,056	\$1,391,257	\$ 966,358	\$ 848,017	\$ 724,973
Cost of goods sold <sup>(3)</sup> . . . . .	<u>1,205,809</u>	<u>943,295</u>	<u>676,794</u>	<u>600,246</u>	<u>482,050</u>
Gross profit . . . . .	462,247	447,962	289,564	247,771	242,923
Selling, general and administrative expenses <sup>(4)</sup> . . . . .	205,234	174,759	105,939	93,033	79,043
Amortization expense <sup>(5)</sup> . . . . .	17,611	13,803	11,255	12,692	9,884
Impairment of intangible assets <sup>(6)</sup> . . . . .	—	5,405	—	34,154	—
Gain on change in fair value of contingent consideration <sup>(7)</sup> . . . . .	—	—	—	(8,206)	—
Operating income . . . . .	<u>239,402</u>	<u>253,995</u>	<u>172,370</u>	<u>116,098</u>	<u>153,996</u>
Interest expense, net . . . . .	91,784	74,456	51,131	46,573	41,813
Loss on extinguishment of debt <sup>(8)</sup> . . . . .	1,163	2,836	—	5,748	31,291
Other income <sup>(9)</sup> . . . . .	<u>(1,607)</u>	<u>(363)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Income before income tax (benefit) expense . . . . .	148,062	177,066	121,239	63,777	80,892
Income tax (benefit) expense . . . . .	<u>(69,401)</u>	<u>67,641</u>	<u>52,149</u>	<u>22,821</u>	<u>28,549</u>
Net income . . . . .	<u>\$ 217,463</u>	<u>\$ 109,425</u>	<u>\$ 69,090</u>	<u>\$ 40,956</u>	<u>\$ 52,343</u>
<i>Earnings per share data:</i>					
Weighted average basic common shares outstanding . . . . .	66,487	63,203	56,585	53,658	52,998
Weighted average diluted common shares outstanding . . . . .	66,706	63,420	56,656	53,747	53,182
Cash dividends declared per common share . . . . .	\$ 1.86	\$ 1.73	\$ 1.38	\$ 1.36	\$ 1.23
Basic earnings per common share . . . . .	\$ 3.27	\$ 1.73	\$ 1.22	\$ 0.76	\$ 0.99
Diluted earnings per common share . . . . .	\$ 3.26	\$ 1.73	\$ 1.22	\$ 0.76	\$ 0.98
<b>Other Financial Data<sup>(1)</sup>:</b>					
Net cash provided by operating activities . . . . .	\$ 37,799	\$ 289,661	\$ 128,479	\$ 99,126	\$ 114,910
Capital expenditures . . . . .	(59,802)	(42,418)	(18,574)	(19,025)	(14,649)
Cash payments for acquisition of businesses . . . . .	(162,965)	(438,787)	(873,811)	(154,277)	(247,281)
Net cash provided by financing activities . . . . .	359,336	216,005	767,444	71,619	131,828
EBITDA <sup>(10)</sup> . . . . .	\$ 290,181	\$ 291,624	\$ 201,023	\$ 143,532	\$ 178,073
Ratio of earnings to fixed charges <sup>(11)</sup> . . . . .	2.5x	3.3x	3.3x	2.3x	2.8x
Senior debt / EBITDA <sup>(12)</sup> . . . . .	7.8x	6.0x	8.8x	7.2x	4.9x
Total debt / EBITDA . . . . .	7.8x	6.0x	8.8x	7.1x	4.9x
EBITDA / cash interest expense <sup>(13)</sup> . . . . .	3.4x	4.2x	4.3x	3.4x	4.8x
<b>Consolidated Balance Sheet Data (at end of period)<sup>(1)</sup>:</b>					
Cash and cash equivalents . . . . .	\$ 206,506	\$ 28,833	\$ 5,246	\$ 1,490	\$ 4,107
Total assets . . . . .	3,561,038	3,043,505	2,571,715	1,649,353	1,484,343
Total debt . . . . .	2,251,741	1,746,769	1,759,616	1,025,857	870,885
Total stockholders’ equity . . . . .	\$ 880,819	\$ 785,657	\$ 457,685	\$ 337,995	\$ 378,363

(1) We completed the *Back to Nature* acquisition from Brynwood Partners VI L.P., Mondelēz International and certain other sellers on October 2, 2017. We completed the *Victoria* acquisition from Huron Capital Partners and certain other sellers on December 2, 2016. We completed the spices & seasonings acquisition from ACH Food Companies, Inc. on November 21, 2016. We completed the *Green Giant* acquisition from General Mills, Inc., on November 2, 2015. We completed the *Mama Mary’s* acquisition from Linsalata Capital Partners and certain other sellers on July 10, 2015. We completed the Specialty Brands acquisition from affiliates of American Capital, Ltd., and certain individual sellers, on April 23, 2014. We completed the *Rickland Orchards* acquisition from Natural Instincts LLC on October 7, 2013. We completed the Pirate Brands acquisition from affiliates of VMG Partners and Driven Capital Management, and certain other entities and individuals, on July 8, 2013. We completed the *TrueNorth* acquisition from DeMet’s Candy Company on May 6, 2013. Each of these acquisitions has been accounted for using the



acquisition method of accounting and, accordingly, the assets acquired, liabilities assumed and results of operations of the acquired business is included in our consolidated financial statements from the date of acquisition.

- (2) Fiscal 2017, 2016, 2015 and 2013 each contained 52 weeks and fiscal 2014 contained 53 weeks. Net sales for fiscal 2015 and fiscal 2014 were negatively impacted by \$1.2 million and \$4.1 million, respectively, of customer refunds, net of insurance recoveries, related to our November 2014 voluntary recall of certain *Ortega* and *Las Palmas* products.
- (3) Cost of goods sold for fiscal 2017 includes \$2.4 million of amortization of acquisition-related inventory fair value step-up (for certain spices & seasonings business and *Back to Nature* inventory acquired and sold during the period) and a \$3.3 million loss on disposal of inventory. Fiscal 2016 includes \$5.4 million of amortization of acquisition-related inventory fair value step-up (for certain spices & seasonings business inventory acquired and sold during the period and certain *Green Giant* inventory sold during the period) and a \$0.8 million loss on disposal of inventory related to the impairment of *Rickland Orchards*. Fiscal 2015 includes \$6.1 million of amortization of acquisition-related inventory fair value step-up (for certain *Green Giant* inventory acquired and sold during the period) and \$0.5 million of charges, net of insurance recoveries, related to the *Ortega* and *Las Palmas* recall. Fiscal 2014 includes \$8.2 million of inventory write-off and other cost of goods sold charges, net of insurance recoveries, related to the *Ortega* and *Las Palmas* recall and a \$4.5 million loss on disposal of inventory related to the impairment of *Rickland Orchards*.
- (4) Selling, general and administrative expenses for fiscal 2017 include \$35.6 million of acquisition-related and other non-recurring expenses, including acquisition and integration expenses for the *Green Giant*, spices & seasonings, *Victoria* and *Back to Nature* acquisitions, severance and hiring costs and a non-recurring startup surcharge paid to a co-packer. Selling, general and administrative expenses for fiscal 2016 include \$17.5 million of acquisition-related expenses for the *Victoria*, spices & seasonings, *Green Giant* and *Mama Mary's* acquisitions and \$1.3 million of distribution restructuring expenses. Selling, general and administrative expenses for fiscal 2015 include \$6.1 million of acquisition-related expenses for the *Green Giant* and *Mama Mary's* acquisitions, \$2.7 million of distribution restructuring expenses and \$0.2 million of administrative expenses, net of insurance recoveries, related to the *Ortega* and *Las Palmas* recall. Selling, general and administrative expenses for fiscal 2014 include \$7.3 million of acquisition-related expenses for the Specialty Brands, *Rickland Orchards* and Pirate Brands acquisitions and \$0.5 million of administrative expenses, net of insurance recoveries, related to the *Ortega* and *Las Palmas* recall. Selling, general and administrative expenses for fiscal 2013 include \$5.9 million of acquisition-related expenses for the *Rickland Orchards*, *TrueNorth* and Pirate Brands acquisitions partially offset by a gain of \$1.5 million relating to a legal settlement.
- (5) Amortization expense includes the amortization of customer relationships, amortizable trademarks and other intangible assets acquired in the *Back to Nature*, *Victoria*, spices & seasonings, *Green Giant*, *Mama Mary's*, Specialty Brands, *Rickland Orchards*, Pirate Brands, *TrueNorth* and prior acquisitions.
- (6) Impairment of intangible assets for fiscal 2016 includes a \$4.5 million loss for the impairment of amortizable trademarks and a \$0.9 million loss for the impairment of customer relationship intangibles, both relating to *Rickland Orchards*. Impairment of intangible assets for fiscal 2014 includes a \$26.8 million loss for the impairment of amortizable trademarks and a \$7.4 million loss for the impairment of customer relationship intangibles, both relating to *Rickland Orchards*.
- (7) In addition to the base purchase price consideration paid at closing, the acquisition agreement for *Rickland Orchards* required that we pay additional purchase price earn-out consideration contingent upon the achievement of revenue growth targets for fiscal 2014, 2015 and 2016. At the time of acquisition, we established the fair value of the contingent consideration using revenue growth targets meant to achieve operating results in excess of base purchase price acquisition model assumptions. As required, at June 28, 2014 we remeasured the fair value of the contingent consideration using actual operating results through June 28, 2014 and revised forecasted operating results for the remainder of fiscal 2014, 2015 and 2016, and reduced the probability of achievement and the fair value of the contingent consideration to zero. This resulted in a non-cash gain of \$8.2 million that is included in gain on change in fair value of contingent consideration in fiscal 2014.

- (8) Fiscal 2017 loss on extinguishment of debt includes the write-off of deferred debt financing costs of \$0.9 million and the write-off of unamortized discount of \$0.2 million in connection with the repayment of all outstanding borrowings under the tranche A term loans and the write-off of deferred debt financing costs and the write-off of unamortized discount of less than \$0.1 million in connection with the refinancing of our tranche B term loans. Fiscal 2016 loss on extinguishment of debt includes the write-off of deferred debt financing costs of \$2.2 million and the write-off of unamortized discount of \$0.6 million in connection with the repayment of \$40.1 million aggregate principal amount of our tranche A term loans and \$109.9 million aggregate principal amount of our tranche B term loans. Fiscal 2014 loss on extinguishment of debt includes the write-off of deferred debt financing costs of \$5.4 million and the write-off of unamortized discount of \$0.3 million in connection with the termination of our prior credit agreement and the repayment of all outstanding obligations thereunder. Fiscal 2013 loss on extinguishment of debt includes costs relating to our repurchase of \$248.5 million aggregate principal amount of 7.625% senior notes and our repayment of \$222.2 million aggregate principal amount of tranche B term loans, including the repurchase premium and other expenses of \$20.2 million, the write-off of deferred debt financing costs of \$8.3 million and the write-off of unamortized discount of \$2.8 million.
- (9) Other income for fiscal 2017 includes remeasurement of monetary assets denominated in a foreign currency into U.S. dollars of \$1.6 million. Other income for fiscal 2016 includes remeasurement of monetary assets denominated in a foreign currency into U.S. dollars of \$0.4 million.
- (10) EBITDA and adjusted EBITDA are non-GAAP financial measures used by management to measure operating performance. A non-GAAP financial measure is defined as a numerical measure of our financial performance that excludes or includes amounts so as to be different from the most directly comparable measure calculated and presented in accordance with GAAP in our consolidated balance sheets and related consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows. We define EBITDA as net income before net interest expense, income taxes, depreciation and amortization and loss on extinguishment of debt (see (8) above). We define adjusted EBITDA as EBITDA adjusted for cash and non-cash acquisition-related expenses, gains and losses (which may include third party fees and expenses, integration, restructuring and consolidation expenses and amortization of acquired inventory fair value step-up) and other non-recurring expenses, gains and losses; intangible asset impairment charges and related asset write-offs; gains or losses related to changes in the fair value of contingent liabilities from earn-outs; loss on product recalls, including customer refunds, selling, general and administrative expenses and the impact on cost of sales; and distribution restructuring expenses. Management believes that it is useful to eliminate net interest expense, income taxes, depreciation and amortization, loss on extinguishment of debt, acquisition-related and other non-recurring expenses, gains and losses, non-cash intangible asset impairment charges and related asset write-offs, gains or losses related to changes in the fair value of contingent liabilities from earn-outs, loss on product recalls and distribution restructuring expenses because it allows management to focus on what it deems to be a more reliable indicator of ongoing operating performance and our ability to generate cash flow from operations. We use EBITDA and adjusted EBITDA in our business operations to, among other things, evaluate our operating performance, develop budgets and measure our performance against those budgets, determine employee bonuses and evaluate our cash flows in terms of cash needs. We also present EBITDA and adjusted EBITDA because we believe they are useful indicators of our historical debt capacity and ability to service debt and because covenants in our credit agreement and our senior notes indentures contain ratios based on these measures. As a result, internal management reports used during monthly operating reviews feature the EBITDA and adjusted EBITDA metrics. However, management uses these metrics in conjunction with traditional GAAP operating performance and liquidity measures as part of its overall assessment of company performance and liquidity and therefore does not place undue reliance on these measures as its only measures of operating performance and liquidity.

EBITDA and adjusted EBITDA are not recognized terms under GAAP and do not purport to be an alternative to operating income or net income or any other GAAP measure as an indicator of operating performance. EBITDA and adjusted EBITDA are not complete net cash flow measures because EBITDA and adjusted EBITDA are measures of liquidity that do not include reductions for cash payments for an entity's obligation to service its debt, fund its working capital, capital expenditures and acquisitions and pay its income taxes and dividends. Rather, EBITDA and adjusted EBITDA are two potential indicators of an entity's ability to fund these cash requirements. EBITDA and adjusted EBITDA are not complete measures of an entity's profitability because they do not include costs and

expenses for depreciation and amortization, interest and related expenses, loss on extinguishment of debt, acquisition-related and other non-recurring expenses, gains and losses and income taxes, intangible asset impairment charges and related asset write-offs, gains or losses related to changes in the fair value of contingent liabilities from earn-outs, loss on product recalls and distribution restructuring expenses. Because not all companies use identical calculations, this presentation of EBITDA and adjusted EBITDA may not be comparable to other similarly titled measures of other companies. However, EBITDA and adjusted EBITDA can still be useful in evaluating our performance against our peer companies because management believes these measures provide users with valuable insight into key components of GAAP amounts.

A reconciliation of EBITDA and adjusted EBITDA to net income and to net cash provided by operating activities for fiscal 2017, 2016, 2015, 2014 and 2013 along with the components of EBITDA and adjusted EBITDA follows:

	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>	<u>Fiscal 2014</u>	<u>Fiscal 2013</u>
	(In thousands)				
Net income	\$ 217,463	\$109,425	\$ 69,090	\$ 40,956	\$ 52,343
Income tax (benefit) expense	(69,401)	67,641	52,149	22,821	28,549
Interest expense, net	91,784	74,456	51,131	46,573	41,813
Depreciation and amortization	49,172	37,266	28,653	27,434	24,077
Loss on extinguishment of debt <sup>(A)</sup>	1,163	2,836	—	5,748	31,291
EBITDA	<u>290,181</u>	<u>291,624</u>	<u>201,023</u>	<u>143,532</u>	<u>178,073</u>
Acquisition-related and other non-recurring expenses	35,745	17,523	6,118	7,315	5,932
Amortization of acquisition-related inventory step-up <sup>(B)</sup>	2,380	5,424	6,127	—	—
Impairment of intangible assets <sup>(C)</sup>	—	5,405	—	34,154	—
Loss on disposal of inventory <sup>(D)</sup>	3,287	791	—	4,535	—
Loss on sale of assets	1,608	—	—	—	—
Loss on product recall, net of insurance recoveries <sup>(E)</sup>	—	—	1,868	12,798	—
Distribution restructuring expenses <sup>(F)</sup>	—	1,273	2,665	—	—
Gain on change in fair value of contingent consideration <sup>(G)</sup>	—	—	—	(8,206)	—
Adjusted EBITDA	<u>333,201</u>	<u>322,040</u>	<u>217,801</u>	<u>194,128</u>	<u>184,005</u>
Income tax (benefit) expense	69,401	(67,641)	(52,149)	(22,821)	(28,549)
Interest expense, net	(91,784)	(74,456)	(51,131)	(46,573)	(41,813)
Acquisition-related and other non-recurring expenses	(35,745)	(17,523)	(6,118)	(7,315)	(5,932)
Loss on product recall, net of insurance recoveries	—	—	(1,868)	(12,798)	—
Distribution restructuring expenses	—	(1,273)	(2,665)	—	—
Write-off of property, plant and equipment <sup>(H)</sup>	208	337	(107)	—	—
Deferred income taxes	(80,525)	56,190	29,152	13,855	20,800
Amortization of deferred financing costs and bond discount	5,812	5,426	3,900	3,790	4,400
Amortization of acquisition-related inventory step-up	(2,380)	(5,424)	(6,127)	—	—
Share-based compensation expense	4,615	5,798	5,817	2,235	3,935
Excess tax benefits from share-based compensation	—	(343)	(539)	(2,356)	(4,192)
Acquisition-related contingent consideration expense, including interest accretion	—	—	—	432	208
Changes in assets and liabilities, net of effects of business combinations	<u>(165,004)</u>	<u>66,530</u>	<u>(7,487)</u>	<u>(23,451)</u>	<u>(17,952)</u>
Net cash provided by operating activities	<u>\$ 37,799</u>	<u>\$289,661</u>	<u>\$128,479</u>	<u>\$ 99,126</u>	<u>\$114,910</u>

(A) See footnote (8) above.

(B) See footnote (3) above.

(C) See footnote (6) above.

(D) Represents a loss on disposal of inventory related to the impairment of *Rickland Orchards*. See footnote (6) above.

(E) See Note 13, “Commitments and Contingencies—*Ortega and Las Palmas Recall*,” to our consolidated financial statements in Part II, Item 8 of this report, for detailed information.

(F) Distribution restructuring expenses for fiscal 2016 and fiscal 2015 includes expenses relating to our transitioning of the operations of our three primary distribution centers and a new fourth primary shelf-stable distribution center in the United States to a third party logistics provider.

(G) See footnote (7) above.

(H) See footnote (F) above.

(11) We have calculated the ratio of earnings to fixed charges by dividing earnings by fixed charges. For the purpose of this computation, earnings consist of income before income taxes plus fixed charges. Fixed charges consist of the sum of interest on indebtedness, amortized expenses related to indebtedness and an interest component of lease rental expense.

(12) As of the end of each fiscal year presented, senior debt is defined as the face amount of all of our outstanding debt.

	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>	<u>Fiscal 2014</u>	<u>Fiscal 2013</u>
	(In thousands, except ratios)				
Current and former senior secured credit agreement:					
Revolving credit facility . . . . .	\$ —	\$ 176,000	\$ 40,000	\$ 34,000	\$ 40,000
Tranche A term loan due 2016 . . . . .	—	—	—	—	131,250
Tranche A term loan due 2019 . . . . .	—	233,640	273,750	292,500	—
Tranche B term loan due 2022 . . . . .	650,110	640,110	750,000	—	—
4.625% senior notes due 2021 . . . . .	700,000	700,000	700,000	700,000	700,000
5.25% senior notes due 2025 . . . . .	900,000	—	—	—	—
Senior debt . . . . .	<u>\$ 2,250,110</u>	<u>\$ 1,749,750</u>	<u>\$ 1,763,750</u>	<u>\$ 1,026,500</u>	<u>\$ 871,250</u>
EBITDA . . . . .	\$ 290,181	\$ 291,624	\$ 201,023	\$ 143,532	\$ 178,073
Senior debt / EBITDA . . . . .	<u>7.8x</u>	<u>6.0x</u>	<u>8.8x</u>	<u>7.2x</u>	<u>4.9x</u>
Adjusted EBITDA . . . . .	\$ 333,201	\$ 322,040	\$ 217,801	\$ 194,128	\$ 184,005
Senior debt /adjusted EBITDA . . . . .	6.8x	5.4x	8.1x	5.3x	4.7x

See Note 7, “Long-Term Debt,” to our consolidated financial statements in Part II, Item 8 of this report, for more information about our long-term debt. As of December 30, 2017, we were in compliance with all of the covenants, including the financial covenants, in our credit agreement and the indentures governing the 4.625% senior notes and 5.25% senior notes.

(13) Cash interest expense, calculated below, is equal to net interest expense less amortization of deferred financing and bond discount.

	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>	<u>Fiscal 2014</u>	<u>Fiscal 2013</u>
	(In thousands, except ratios)				
Interest expense, net . . . . .	\$ 91,784	\$ 74,456	\$ 51,131	\$ 46,573	\$ 41,813
Amortization of deferred financing and bond discount . . . . .	<u>(5,812)</u>	<u>(5,426)</u>	<u>(3,900)</u>	<u>(3,790)</u>	<u>(4,400)</u>
Cash interest expense . . . . .	<u>\$ 85,972</u>	<u>\$ 69,030</u>	<u>\$ 47,231</u>	<u>\$ 42,783</u>	<u>\$ 37,413</u>
EBITDA . . . . .	\$ 290,181	\$ 291,624	\$ 201,203	\$ 143,532	\$ 178,073
EBITDA / cash interest expense . . . . .	<u>3.4x</u>	<u>4.2x</u>	<u>4.3x</u>	<u>3.4x</u>	<u>4.8x</u>
Adjusted EBITDA . . . . .	<u>\$ 333,201</u>	<u>\$ 322,040</u>	<u>\$ 217,801</u>	<u>\$ 194,128</u>	<u>\$ 184,005</u>
Adjusted EBITDA / cash interest expense . . . . .	<u>3.9x</u>	<u>4.7x</u>	<u>4.6x</u>	<u>4.5x</u>	<u>4.9x</u>

## Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under Item 1A, “Risk Factors” and under the heading “Forward-Looking Statements” below and elsewhere in this report. The following discussion should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this report.

### General

We manufacture, sell and distribute a diverse portfolio of branded, high quality, shelf-stable and frozen foods and household products, many of which have leading regional or national market shares. In general, we position our branded products to appeal to the consumer desiring a high quality and reasonably priced product. We complement our branded product retail sales with institutional and foodservice sales and private label sales.

Our company has been built upon a successful track record of acquisition-driven growth. Our goal is to continue to increase sales, profitability and cash flows through strategic acquisitions, new product development and organic growth. We intend to implement our growth strategy through the following initiatives: expanding our brand portfolio with disciplined acquisitions of complementary branded businesses, continuing to develop new products and delivering them to market quickly, leveraging our multiple channel sales and distribution system and continuing to focus on higher growth customers and distribution channels.

Since 1996, we have successfully acquired and integrated more than 45 brands into our company. Most recently, on October 2, 2017, we completed the acquisition of Back to Nature Foods Company, LLC and related entities from Brynwood Partners VI L.P., Mondelēz International and certain other sellers. On December 2, 2016, we acquired Victoria Fine Foods, LLC, and a related entity, from Huron Capital Partners and certain other sellers. On November 21, 2016, we completed the acquisition of the spices & seasonings business of ACH Food Companies, Inc. On November 2, 2015, we completed the acquisition of the *Green Giant* and *Le Sueur* brands from General Mills, Inc. And on July 10, 2015, we acquired Spartan Foods of America, Inc., and related entities, including the *Mama Mary’s* brand, from Linsalata Capital Partners and certain other sellers. We refer to these acquisitions in this report as the “*Back to Nature* acquisition,” “*Victoria* acquisition,” “spices & seasonings acquisition,” “*Green Giant* acquisition” and “*Mama Mary’s* acquisition,” respectively. Each of these recent acquisitions has been accounted for using the acquisition method of accounting and, accordingly, the assets acquired, liabilities assumed and results of operations of the acquired businesses are included in our consolidated financial statements from the respective dates of acquisition. These acquisitions and the application of the acquisition method of accounting affect comparability between periods.

We are subject to a number of challenges that may adversely affect our businesses. These challenges, which are discussed above under Item 1A, “Risk Factors” and below under the heading “Forward-Looking Statements,” include:

*Fluctuations in Commodity Prices and Production and Distribution Costs.* We purchase raw materials, including agricultural products, meat, poultry, ingredients and packaging materials from growers, commodity processors, other food companies and packaging suppliers located in U.S. and foreign locations. Raw materials and other input costs, such as fuel and transportation, are subject to fluctuations in price attributable to a number of factors. Fluctuations in commodity prices can lead to retail price volatility and intensive price competition, and can influence consumer and trade buying patterns. The cost of raw materials, fuel, labor, distribution and other costs related to our operations can increase from time to time significantly and unexpectedly.

We attempt to manage cost inflation risks by locking in prices through short-term supply contracts and advance commodities purchase agreements and by implementing cost saving measures. We also attempt to offset rising input costs by raising sales prices to our customers. However, increases in the prices we charge our customers may lag behind rising input costs. Competitive pressures also may limit our ability to quickly raise prices in response to rising costs.

We expect to see moderate net cost increases for raw materials in the marketplace during 2018 and are currently locked into our supply and prices for a majority of our most significant commodities (excluding, among others, maple syrup) through fiscal 2018 at a cost increase of less than 1% of cost of goods sold. During fiscal 2017, we had a minimal cost increase for a majority of our most significant commodities (excluding, among others, maple syrup). To the extent we are unable to avoid or offset any present or future cost increases by locking in our costs, implementing cost saving measures or increasing prices to our customers, our operating results could be materially adversely affected. In addition, if input costs begin to decline, customers may look for price reductions in situations where we have locked into purchases at higher costs.

*Consolidation in the Retail Trade and Consequent Inventory Reductions.* As the retail grocery trade continues to consolidate and our retail customers grow larger and become more sophisticated, our retail customers may demand lower pricing and increased promotional programs. These customers are also reducing their inventories and increasing their emphasis on private label products.

*Changing Consumer Preferences.* Consumers in the market categories in which we compete frequently change their taste preferences, dietary habits and product packaging preferences.

*Consumer Concern Regarding Food Safety, Quality and Health.* The food industry is subject to consumer concerns regarding the safety and quality of certain food products. If consumers in our principal markets lose confidence in the safety and quality of our food products, even as a result of a product liability claim or a product recall by a food industry competitor, our business could be adversely affected.

*Fluctuations in Currency Exchange Rates.* Our foreign sales are primarily to customers in Canada. Our sales to Canada are generally denominated in Canadian dollars and our sales for export to other countries are generally denominated in U.S. dollars. During fiscal 2017, 2016 and 2015, our net sales to customers in foreign countries represented approximately 6.3%, 7.1% and 5.2%, respectively, of our total net sales. We also purchase a significant majority of our maple syrup requirements from suppliers located in Québec, Canada. Any weakening of the U.S. dollar against the Canadian dollar could significantly increase our costs relating to the production of our maple syrup products to the extent we have not purchased Canadian dollars in advance of any such weakening of the U.S. dollar or otherwise entered into a currency hedging arrangement in advance of any such weakening of the U.S. dollar. These increased costs would not be fully offset by the positive impact the change in the relative strength of the Canadian dollar versus the U.S. dollar would have on our net sales in Canada. Our purchases of raw materials from other foreign suppliers are generally denominated in U.S. dollars. We also operate a manufacturing facility in Irapuato, Mexico for the manufacture of *Green Giant* frozen products and are as a result exposed to fluctuations in the Mexican peso. Our results of operations could be adversely impacted by changes in foreign currency exchange rates. Costs and expenses in Mexico are recognized in local foreign currency, and therefore we are exposed to potential gains or losses from the translation of those amounts into U.S. dollars for consolidation into our consolidated financial statements.

To confront these challenges, we continue to take steps to build the value of our brands, to improve our existing portfolio of products with new product and marketing initiatives, to reduce costs through improved productivity, to address consumer concerns about food safety, quality and health and to favorably manage currency fluctuations.

### **Critical Accounting Policies; Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires our management to make a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Some of the more significant estimates and assumptions made by management involve trade and consumer promotion expenses; allowances for excess, obsolete and unsaleable inventories; pension benefits; acquisition accounting fair value allocations; the recoverability of goodwill, other intangible assets, property, plant and equipment, and deferred tax assets; the determination of the useful life of customer relationship and amortizable trademark intangibles; the fair value of contingent consideration liabilities; and the accounting for share-based compensation expense. Actual results could differ significantly from these estimates and assumptions.

Our significant accounting policies are described more fully in note 2 to our consolidated financial statements included elsewhere in this report. We believe the following critical accounting policies involve the most significant judgments and estimates used in the preparation of our consolidated financial statements.

### ***Trade and Consumer Promotion Expenses***

We offer various sales incentive programs to customers and consumers, such as price discounts, in-store display incentives, slotting fees and coupons. The recognition of expense for these programs involves the use of judgment related to performance and redemption estimates. Estimates are made based on historical experience and other factors. Actual expenses may differ if the level of redemption rates and performance vary from our estimates.

In May 2014, the FASB issued authoritative guidance related to new accounting requirements for the recognition of revenue from contracts with customers. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for the goods or services.

We adopted this guidance and related amendments as of the first quarter of fiscal 2018 applying the full retrospective transition approach to all contracts. Based on our comprehensive assessment of the new guidance, including our evaluation of the five-step approach outlined within the guidance, we concluded that the adoption will not have a significant impact to our core revenue generating activities. However, the adoption will result in a change in presentation of certain trade and consumer promotion expenses, specifically in-store display incentives also referred to as marketing development funds.

We previously recorded in-store display incentives or marketing development funds within selling, general and administrative expenses in our consolidated statements of operations. Upon the adoption of the new guidance, many of these cash payments will not meet the specific criteria within the new guidance of providing a “distinct” good or service, and therefore, will be required to be presented as a reduction of net sales. We currently anticipate that the impact of this change will result in a reduction of net sales, gross profit and selling, general and administrative expenses by approximately \$20 million during fiscal 2018, the first year of adoption, with no impact to net income. See Note 2(s), “Summary of Significant Accounting Policies — *Recently Issued Accounting Standards*,” to our consolidated financial statements in Part II, Item 8 of this report for the expected adjustments to net sales, gross profit and selling, general and administrative expenses for fiscal 2017, 2016 and 2015 as a result of the newly adopted revenue recognition standard.

### ***Inventories***

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first in, first out and average cost methods. Inventories have been reduced by an allowance for excess, obsolete and unsaleable inventories. The allowance is an estimate based on our management’s review of inventories on hand compared to estimated future usage and sales.

### ***Long-Lived Assets***

Long-lived assets, such as property, plant and equipment, and intangibles with estimated useful lives are depreciated or amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted net future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted net future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Recoverability of assets held for sale is measured by a comparison of the carrying amount of an asset or asset group to their fair value less estimated costs to sell. Estimating future cash flows and calculating the fair value of assets requires significant estimates and assumptions by management.

### ***Goodwill and Other Intangible Assets***

Our total assets include substantial goodwill and unamortizable intangible assets (trademarks). These assets are tested for impairment at least annually and whenever events or circumstances occur indicating that goodwill or



unamortizable intangibles might be impaired. We perform the annual impairment tests as of the last day of each fiscal year. The annual goodwill impairment test involves a two-step process. The first step of the impairment test involves comparing our company's market capitalization with our company's carrying value, including goodwill. If the carrying value of our company exceeds our market capitalization, we perform the second step of the impairment test to determine the amount of the impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of goodwill with the carrying value and recognizing a loss for the difference. As of December 30, 2017, we had \$649.3 million of goodwill recorded in our consolidated balance sheet. Our testing indicates that the implied fair value of goodwill is significantly in excess of the carrying value. Therefore, we believe that only significant changes in the cash flow assumptions would result in an impairment of goodwill.

We test our unamortizable intangibles by comparing the fair value with the carrying value and recognize a loss for the difference. We estimate the fair value of our unamortizable intangibles based on discounted cash flows that reflect certain third party market value indicators. Calculating our fair value for these purposes requires significant estimates and assumptions by management, including future cash flows consistent with management's expectations, annual sales growth rates, and certain assumptions underlying a discount rate based on available market data. Significant management judgment is necessary to estimate the impact of competitive operating, macroeconomic and other factors to estimate the future levels of sales and cash flows.

As of December 30, 2017, we had \$1,483.6 million of unamortizable intangibles recorded in our consolidated balance sheet and none of the balances exceed their calculated fair values, and the percentage excess of calculated fair value over book value was 205.0% or more. The table below sets forth the book value as of December 30, 2017, of the trademarks of each of our brands whose fiscal 2017 net sales were equal to or exceeded 3% of our total fiscal 2017 net sales and for "all other brands" in the aggregate.

	<b>Fiscal 2017</b>
	<b>(in thousands)</b>
Brand:	
<i>Green Giant</i> .....	\$ 422,000
<i>Mrs. Dash</i> .....	189,000
Pirate Brands .....	152,800
<i>Bear Creek Country Kitchens</i> .....	113,400
Spices & Seasonings <sup>(1)</sup> .....	65,200
<i>Ortega</i> .....	32,339
<i>Cream of Wheat</i> .....	27,000
<i>Maple Grove Farms of Vermont</i> .....	11,627
All other brands .....	470,235
Total .....	<u>\$ 1,483,601</u>

(1) The spices & seasonings acquisition was completed on November 21, 2016. Includes trademark values for multiple brands acquired as part of the acquisition.

All assumptions used in our impairment evaluations for goodwill and unamortizable intangibles, such as forecasted growth rates and discount rate, are based on the best available market information and are consistent with our internal forecasts and operating plans. We believe these assumptions to be reasonable, but they are inherently uncertain. These assumptions could be adversely impacted by certain of the risks described in Item 1A, "Risk Factors" of this report.

We completed our annual impairment tests for fiscal 2017, 2016 and 2015 with no adjustments to the carrying values of goodwill and unamortizable intangibles. However, materially different assumptions regarding the future performance of our businesses could result in significant impairment losses. For example, an interim impairment analysis relating to one of our brands performed during fiscal 2014, resulted in our company recording non cash impairment charges to amortizable trademarks and customer relationship intangibles for the brand of \$26.9 million and \$7.3 million, respectively, during fiscal 2014. During the second quarter of 2016, we discontinued that brand because there was not sufficient demand to warrant continued production. Accordingly, we wrote off the related intangible assets and recorded non-cash impairment charges to amortizable trademarks and customer relationship intangibles of \$4.5 million and \$0.9

million, respectively, which are recorded in “Impairment of intangible assets” on the accompanying consolidated statement of operations for fiscal 2016. In addition, any significant decline in our market capitalization, even if due to macroeconomic factors, could put pressure on the carrying value of our goodwill. A determination that all or a portion of our goodwill or unamortizable intangible assets are impaired, although a non-cash charge to operations, could have a material adverse effect on our business, consolidated financial condition and results of operations.

### ***Income Tax Expense Estimates and Policies***

As part of the income tax provision process of preparing our consolidated financial statements, we are required to estimate our income taxes. This process involves estimating our current tax expenses together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. We then assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe the recovery is not likely, we establish a valuation allowance. Further, to the extent that we establish a valuation allowance or increase this allowance in a financial accounting period, we include such charge in our tax provision, or reduce our tax benefits in our consolidated statements of operations. We use our judgment to determine our provision or benefit for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against our deferred tax assets.

There are various factors that may cause these tax assumptions to change in the near term, and we may have to record a valuation allowance against our deferred tax assets. We cannot predict whether future U.S. federal and state income tax laws and regulations might be passed that could have a material effect on our results of operations. We assess the impact of significant changes to the U.S. federal and state income tax laws and regulations on a regular basis and update the assumptions and estimates used to prepare our consolidated financial statements when new regulations and legislation are enacted. We recognize the benefit of an uncertain tax position that we have taken or expect to take on the income tax returns we file if it is more likely than not that such tax position will be sustained based upon its technical merits.

See “U.S. Tax Act” below for a discussion of the U.S. Tax Cuts and Jobs Act that was signed into law on December 22, 2017, and the impact it has had and may have on our business and financial results.

### ***Pension Expense***

We have defined benefit pension plans covering approximately 40% of our employees. Our funding policy is to contribute annually not less than the amount recommended by our actuaries. The funded status of our pension plans is dependent upon many factors, including returns on invested assets and the level of certain market interest rates, employee-related demographic factors, such as turnover, retirement age and mortality, and the rate of salary increases. Certain assumptions reflect our historical experience and management’s best judgment regarding future expectations. Due to the significant management judgment involved, our assumptions could have a material impact on the measurement of our pension expenses and obligations. We review pension assumptions regularly and we may from time to time make voluntary contributions to our pension plans, which exceed the amounts required by statute. During fiscal 2017, we made total contributions to our pension plans of \$8.7 million. During fiscal 2016, we made total contributions to our pension plans of \$3.5 million. Changes in interest rates and the market value of the securities held by the plans could materially change, positively or negatively, the funded status of the plans and affect the level of pension expense and required contributions in fiscal 2018 and beyond.

Our discount rate assumption for our four defined benefit plans changed from 4.039% at December 31, 2016 to 3.45%-3.56% at December 30, 2017. While we do not currently anticipate a change in our fiscal 2018 assumptions, as a sensitivity measure, a 0.25% decline or increase in our discount rate would increase or decrease our pension expense by approximately \$0.5 million to \$0.6 million. Similarly, a 0.25% decrease or increase in the expected return on pension plan assets would increase or decrease our pension expense by approximately \$0.3 million. We expect to make \$1.1 million of defined benefit pension plan contributions during fiscal 2018.

### ***Acquisition Accounting***

Our consolidated financial statements and results of operations include an acquired business’s operations after the completion of the acquisition. We account for acquired businesses using the acquisition method of accounting, which

requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. Any excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Transaction costs are expensed as incurred.

The judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations. Accordingly, for significant items, we typically obtain assistance from third party valuation specialists. Determining the useful life of an intangible asset also requires judgment as different types of intangible assets will have different useful lives and certain assets may even be considered to have indefinite useful lives. All of these judgments and estimates can materially impact our results of operations.

### ***Share-based Compensation Expense***

We provide compensation benefits in the form of stock options, performance share long-term incentive awards (LTIAAs) and common stock to employees and non-employee directors. The cost of share based compensation is recorded at fair value at the date of grant and expensed in our consolidated statements of operations over the requisite service period, if any.

Performance share LTIAAs granted to our executive officers and certain other members of senior management entitle each participant to earn shares of common stock upon the attainment of certain performance goals over the applicable performance period. The recognition of compensation expense for the performance share LTIAAs is initially based on the probable outcome of the performance condition based on the fair value of the award on the date of grant and the anticipated number of shares to be awarded on a straight-line basis over the applicable performance period. The fair value of the awards on the date of grant is determined based upon the closing price of our common stock on the applicable measurement dates (i.e., the deemed grant dates for accounting purposes) reduced by the present value of expected dividends using the risk-free interest-rate as the award holders are not entitled to dividends or dividend equivalents during the vesting period. Our company's performance against the defined performance goals are re-evaluated on a quarterly basis throughout the applicable performance period and the recognition of compensation expense is adjusted for subsequent changes in the estimated or actual outcome. The cumulative effect of a change in the estimated number of shares of common stock to be issued in respect of performance share awards is recognized as an adjustment to earnings in the period of the revision.

The fair value of stock option awards is estimated on the date of grant using the Black-Scholes option pricing model and is recognized in expense over the vesting period of the options using the straight-line method. The Black-Scholes option pricing model requires various assumptions, including the expected volatility of our stock, the expected term of the option, the risk-free interest rate and the expected dividend yield. Expected volatility is based on both historical and implied volatilities of our common stock over the estimated expected term of the award. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. All stock option grants have an exercise price equal to the fair market value of our common stock on the date of grant, have a 10-year term and cliff vest three years from the date of grant.

We recognize compensation expense for only that portion of share based awards that are expected to vest. We utilize historical employee termination behavior to determine our estimated forfeiture rates. If the actual forfeitures differ from those estimated by management, adjustments to compensation expense will be made in future periods.

### **Product Recall**

On November 14, 2014, we announced a voluntary recall for certain *Ortega* and *Las Palmas* products after learning that one or more of the spice ingredients purchased from a third party supplier contained peanuts and almonds, allergens that are not declared on the products' ingredient statements. A significant majority of the costs of this recall were incurred in the fourth quarter of 2014. The cost impact of this recall during fiscal 2015 was \$1.9 million, of which \$1.2 million was recorded as a decrease in net sales related to customer refunds; \$0.5 million was recorded as an increase in cost of goods sold primarily related to costs associated with product retrieval, destruction charges and customer fees; and \$0.2 million was recorded as an increase in selling, general, and administrative expenses related to administrative costs. In fiscal 2015, we received an insurance recovery of \$5.0 million related to this recall.

## U.S. Tax Act

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act, which we refer to as the “U.S. Tax Act.” The changes in the U.S. Tax Act are broad and complex and we continue to examine the impact the U.S. Tax Act may have on our business and financial results. The U.S. Tax Act contains provisions with separate effective dates but is generally effective for taxable years beginning after December 31, 2017.

Under FASB Accounting Standards Codification (ASC) Topic 740, Income Taxes, we are required to revalue any deferred tax assets or liabilities in the period of enactment of change in tax rates. The U.S. Tax Act lowers the corporate income tax rate from 35% to 21%. In the fourth quarter of fiscal 2017 we revalued our prior year U.S. deferred tax assets and liabilities at the lower U.S. corporate income tax rate, which resulted in a discrete tax benefit of approximately \$133.3 million. This tax benefit was partially offset by an increase in our blended state rate of approximately \$5.8 million and a repatriation expense of \$0.9 million.

The reduction in the corporate income tax rate from 35% to 21% will be effective for our fiscal 2018. We estimate that our consolidated effective tax rate for fiscal 2018 will be approximately 25%.

We also expect to realize a cash tax benefit for future bonus depreciation on certain business additions, which, together with the reduced income tax rate, we expect to reduce our cash income tax payments.

The U.S. Tax Act also limits the deduction for net interest expense incurred by a corporate taxpayer to 30% of the taxpayer’s adjusted taxable income. While we do not currently expect that our interest expense will exceed 30% of our adjusted taxable income, in any event we do not believe this limitation will have a material adverse impact on our business or financial results because any interest that is non-deductible may be carried forward indefinitely.

The Securities and Exchange Commission issued guidance on December 23, 2017 providing a one-year measurement period from a registrant’s reporting period that includes the U.S. Tax Act’s enactment date to allow the registrant sufficient time to obtain, prepare and analyze information to complete the accounting required under ASC 740. As of December 30, 2017, we have recorded all known and estimable impacts of the U.S. Tax Act that are effective for fiscal 2017. Future adjustments to the provisional numbers will be recorded as discrete adjustments to income tax expense in the period in which those adjustments become estimable and/or are finalized.

The ultimate impact of the U.S. Tax Act on our reported results in fiscal 2018 and beyond may differ from the estimates provided in this report, possibly materially, due to, among other things, changes in interpretations and assumptions we have made, guidance that may be issued, and other actions we may take as a result of the U.S. Tax Act different from that currently contemplated.

## Results of Operations

The following table sets forth the percentages of net sales represented by selected items reflected in our consolidated statements of operations. The comparisons of financial results are not necessarily indicative of future results:

	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
<b>Statement of Operations Data:</b>			
Net sales . . . . .	100.0 %	100.0 %	100.0 %
Cost of goods sold . . . . .	<u>72.3 %</u>	<u>67.8 %</u>	<u>70.0 %</u>
Gross profit . . . . .	27.7 %	32.2 %	30.0 %
Selling, general and administrative expenses . . . . .	12.3 %	12.5 %	11.0 %
Amortization expense . . . . .	1.0 %	1.0 %	1.2 %
Impairment of intangible assets . . . . .	<u>— %</u>	<u>0.4 %</u>	<u>— %</u>
Operating income . . . . .	14.4 %	18.3 %	17.8 %
Interest expense, net . . . . .	5.5 %	5.4 %	5.3 %
Loss on extinguishment of debt . . . . .	0.1 %	0.2 %	— %
Other income . . . . .	<u>(0.1)%</u>	<u>— %</u>	<u>— %</u>
Income before income tax (benefit) expense . . . . .	8.9 %	12.7 %	12.5 %
Income tax (benefit) expense . . . . .	<u>(4.2)%</u>	<u>4.8 %</u>	<u>5.4 %</u>
Net income . . . . .	<u>13.1 %</u>	<u>7.9 %</u>	<u>7.1 %</u>

As used in this section the terms listed below have the following meanings:

*Net Sales.* Our net sales represents gross sales of products shipped to customers plus amounts charged to customers for shipping and handling, less cash discounts, coupon redemptions, slotting fees and trade promotional spending.

*Gross Profit.* Our gross profit is equal to our net sales less cost of goods sold. The primary components of our cost of goods sold are cost of internally manufactured products, purchases of finished goods from co-packers, a portion of our warehousing expenses plus freight costs to our distribution centers and to our customers.

*Selling, General and Administrative Expenses.* Our selling, general and administrative expenses include costs related to selling our products, as well as all other general and administrative expenses. Some of these costs include administrative, marketing and internal sales force employee compensation and benefits costs, consumer advertising programs, brokerage costs, a portion of our warehousing expenses, information technology and communication costs, office rent, utilities, supplies, professional services, acquisition-related and other non-recurring expenses and other general corporate expenses.

*Amortization Expense.* Amortization expense includes the amortization expense associated with customer relationships, amortizable trademarks and other intangibles.

*Impairment of Intangible Assets.* Impairment of intangible assets represents a reduction of the carrying value of amortizable intangible assets to fair value when the carrying value of the assets is no longer recoverable.

*Net Interest Expense.* Net interest expense includes interest relating to our outstanding indebtedness, amortization of bond discount and amortization of deferred debt financing costs (net of interest income).

*Loss on Extinguishment of Debt.* Loss on extinguishment of debt includes costs relating to the retirement of indebtedness, including repurchase premium, if any, and write-off of deferred debt financing costs and unamortized discount, if any.

*Other Income.* Other income includes expense and/or income resulting from the remeasurement of monetary assets denominated in a foreign currency into U.S. dollars for financial reporting purposes.

### ***Non-GAAP Financial Measures***

Certain disclosures in this report include non-GAAP financial measures. A non-GAAP financial measure is defined as a numerical measure of our financial performance that excludes or includes amounts so as to be different from the most directly comparable measure calculated and presented in accordance with accounting principles generally accepted in the United States (GAAP) in our consolidated balance sheets and related consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows.

**Base Business Net Sales.** Base business net sales is a non-GAAP financial measure used by management to measure operating performance. We define base business net sales as our net sales excluding (1) the impact of acquisitions until at least one full quarter of net sales from such acquisitions are included in both comparable periods and (2) net sales of discontinued brands. The portion of current period net sales attributable to recent acquisitions for which there is not at least one full quarter of net sales in the comparable period of the prior year is excluded. For each acquisition, the excluded period starts at the beginning of the most recent fiscal period being compared and ends on the last day of the quarter in which the first anniversary of the date of acquisition occurs, and the period from the date of acquisition to the end of the quarter in which the acquisition occurred. For discontinued brands, the entire amount of net sales is excluded from each fiscal period being compared. Management has included this financial measure because it provides useful and comparable trend information regarding the results of our business without the effect of the timing of acquisitions and the effect of discontinued brands.

The definition of base business net sales set forth above, as it relates to acquisitions, has been modified from the definition we have used in prior annual reports. Under our previous definition of base business net sales, for each acquisition, the excluded period started at the beginning of the most recent fiscal period being compared and ended on the first anniversary of the acquisition date. We believe that it is more useful to measure base business net sales on a full quarter basis and accordingly have updated the fiscal 2016 versus 2015 base business net sales presentation below to reflect this change.

A reconciliation of base business net sales to reported net sales for fiscal 2017 and 2016 follows (in thousands):

	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>
Reported net sales . . . . .	\$ 1,668,056	\$ 1,391,257
Net sales from acquisitions <sup>(1)</sup> . . . . .	(323,794)	(31,437)
Net sales of <i>Rickland Orchards</i> <sup>(2)</sup> . . . . .	—	(528)
Base business net sales . . . . .	<u>1,344,262</u>	<u>1,359,292</u>

- (1) Reflects all net sales for *Victoria* and the spices & seasonings business for each period presented and net sales for *Back to Nature* for fiscal 2017. *Back to Nature* was acquired on October 2, 2017, *Victoria* was acquired on December 2, 2016, and the spices & seasonings business was acquired on November 21, 2016.
- (2) Reflects all net sales of *Rickland Orchards* for each period presented. *Rickland Orchards* was discontinued during the second quarter of 2016.

A reconciliation of base business net sales to reported net sales for fiscal 2016 and 2015 follows (in thousands):

	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
Reported net sales . . . . .	\$ 1,391,257	\$ 966,358
Net sales from acquisitions <sup>(1)</sup> . . . . .	(573,894)	(124,531)
Net sales of <i>Rickland Orchards</i> <sup>(2)</sup> . . . . .	(528)	(4,106)
Base business net sales . . . . .	<u>\$ 816,835</u>	<u>\$ 837,721</u>

- (1) Includes all net sales for *Victoria*, the spices & seasonings business and *Green Giant*. Also includes all net sales of *Mama Mary's* for the third quarter of 2016. *Victoria* was acquired on December 2, 2016, the spices & seasonings business was acquired on November 21, 2016, *Green Giant* was acquired on November 2, 2015, and *Mama Mary's* was acquired on July 10, 2015.
- (2) Reflects all net sales of *Rickland Orchards* for each period presented. *Rickland Orchards* was discontinued during the second quarter of 2016.

*EBITDA and Adjusted EBITDA.* EBITDA and adjusted EBITDA are non-GAAP financial measures used by management to measure operating performance. We define EBITDA as net income before net interest expense, income taxes, depreciation and amortization and loss on extinguishment of debt. We define adjusted EBITDA as EBITDA adjusted for cash and non-cash acquisition-related expenses, gains and losses (which may include third party fees and expenses, integration, restructuring and consolidation expenses and amortization of acquired inventory fair value step-up, gains and losses on the sale of assets) and other non-recurring expenses, gains and losses; intangible asset impairment charges and related asset write-offs; gains or losses related to changes in the fair value of contingent liabilities from earn-outs; loss on product recalls, including customer refunds, selling, general and administrative expenses and the impact on cost of sales; and distribution restructuring expenses. Management believes that it is useful to eliminate net interest expense, income taxes, depreciation and amortization, loss on extinguishment of debt, acquisition-related and other non-recurring expenses, gains and losses, non-cash intangible asset impairment charges and related asset write-offs, loss on product recalls and distribution restructuring expenses because it allows management to focus on what it deems to be a more reliable indicator of ongoing operating performance and our ability to generate cash flow from operations. We use EBITDA and adjusted EBITDA in our business operations to, among other things, evaluate our operating performance, develop budgets and measure our performance against those budgets, determine employee bonuses and evaluate our cash flows in terms of cash needs. We also present EBITDA and adjusted EBITDA because we believe they are useful indicators of our historical debt capacity and ability to service debt and because covenants in our credit agreement and our senior notes indentures contain ratios based on these measures. As a result, internal management reports used during monthly operating reviews feature the EBITDA and adjusted EBITDA metrics. However, management uses these metrics in conjunction with traditional GAAP operating performance and liquidity measures as part of its overall assessment of company performance and liquidity and therefore does not place undue reliance on these measures as its only measures of operating performance and liquidity.

EBITDA and adjusted EBITDA are not recognized terms under GAAP and do not purport to be alternatives to operating income, net income (loss) or any other GAAP measure as an indicator of operating performance. EBITDA and adjusted EBITDA are not complete net cash flow measures because EBITDA and adjusted EBITDA are measures of liquidity that do not include reductions for cash payments for an entity's obligation to service its debt, fund its working capital, capital expenditures and acquisitions and pay its income taxes and dividends. Rather, EBITDA and adjusted EBITDA are two potential indicators of an entity's ability to fund these cash requirements. EBITDA and adjusted EBITDA are not complete measures of an entity's profitability because they do not include costs and expenses for depreciation and amortization, interest and related expenses, loss on extinguishment of debt, acquisition-related and other non-recurring expenses, gains and losses, income taxes, intangible asset impairment charges and related asset write-offs, gains or losses related to changes in the fair value of contingent liabilities from earn-outs, loss on product recalls and distribution restructuring expenses. Because not all companies use identical calculations, this presentation of EBITDA and adjusted EBITDA may not be comparable to other similarly titled measures of other companies. However, EBITDA and adjusted EBITDA can still be useful in evaluating our performance against our peer companies because management believes these measures provide users with valuable insight into key components of GAAP amounts.

A reconciliation of EBITDA and adjusted EBITDA to net income and to net cash provided by operating activities for fiscal 2017, 2016 and 2015 along with the components of EBITDA and adjusted EBITDA follows:

	<u>Fiscal 2017</u>	<u>Fiscal 2016</u> (In thousands)	<u>Fiscal 2015</u>
Net income . . . . .	\$ 217,463	\$ 109,425	\$ 69,090
Income tax (benefit) expense . . . . .	(69,401)	67,641	52,149
Interest expense, net . . . . .	91,784	74,456	51,131
Depreciation and amortization . . . . .	49,172	37,266	28,653
Loss on extinguishment of debt . . . . .	1,163	2,836	—
EBITDA . . . . .	<u>290,181</u>	<u>291,624</u>	<u>201,023</u>
Acquisition-related and other non-recurring expenses . . . . .	35,745	17,523	6,118
Amortization of acquisition-related inventory step-up . . . . .	2,380	5,424	6,127
Impairment of intangible assets . . . . .	—	5,405	—
Loss on disposal of inventory . . . . .	3,287	791	—
Loss on sale of assets . . . . .	1,608	—	—
Loss on product recall, net of insurance recoveries . . . . .	—	—	1,868
Distribution restructuring expenses . . . . .	—	1,273	2,665
Adjusted EBITDA . . . . .	<u>333,201</u>	<u>322,040</u>	<u>217,801</u>
Income tax benefit (expense) . . . . .	69,401	(67,641)	(52,149)
Interest expense, net . . . . .	(91,784)	(74,456)	(51,131)
Acquisition-related and other non-recurring expenses . . . . .	(35,745)	(17,523)	(6,118)
Loss on product recall, net of insurance recoveries . . . . .	—	—	(1,868)
Distribution restructuring expenses . . . . .	—	(1,273)	(2,665)
Write-off of property, plant and equipment . . . . .	208	337	107
Deferred income taxes . . . . .	(80,525)	56,190	29,152
Amortization of deferred financing costs and bond discount . . . . .	5,812	5,426	3,900
Amortization of acquisition-related inventory step-up . . . . .	(2,380)	(5,424)	(6,127)
Share-based compensation expense . . . . .	4,615	5,798	5,817
Excess tax benefits from share-based compensation . . . . .	—	(343)	(539)
Changes in assets and liabilities, net of effects of business combinations . . . . .	(165,004)	66,530	(7,701)
Net cash provided by operating activities . . . . .	<u>\$ 37,799</u>	<u>\$ 289,661</u>	<u>\$ 128,479</u>

We use “adjusted net income” and “adjusted diluted earnings per share,” which are calculated as reported net income and reported diluted earnings per share adjusted for certain items that affect comparability. These non-GAAP financial measures reflect adjustments to reported net income and diluted earnings per share to eliminate the items identified below. This information is provided in order to allow investors to make meaningful comparisons of our operating performance between periods and to view our business from the same perspective as our management. Because we cannot predict the timing and amount of these items, management does not consider these items when evaluating our performance or when making decisions regarding allocation of resources.

A reconciliation of adjusted net income and adjusted diluted earnings per share to net income for fiscal 2017, 2016 and 2015 along with the components of adjusted net income and adjusted diluted earnings per share follows (in thousands):

	<u>Fiscal 2017</u>	<u>Fiscal 2016</u> (In thousands)	<u>Fiscal 2015</u>
Reported net income . . . . .	\$ 217,463	\$ 109,425	\$ 69,090
Non-recurring adjustment to deferred income taxes <sup>(1)</sup> . . . . .	(109,641)	881	7,166
Loss on extinguishment of debt, net of tax <sup>(2)</sup> . . . . .	847	1,770	—
Acquisition-related and other non-recurring expenses, net of tax <sup>(3)</sup> . . . . .	26,497	10,934	3,842
Distribution restructuring expenses, net of tax <sup>(4)</sup> . . . . .	—	794	1,674
Acquisition-related inventory step-up, net of tax <sup>(5)</sup> . . . . .	1,733	3,385	3,848
Impairment of intangible assets, net of tax <sup>(6)</sup> . . . . .	—	3,373	—
Loss on disposal of inventory, net of tax <sup>(6)</sup> . . . . .	2,393	494	—



Loss on product recall, net of insurance recoveries and tax <sup>(6)</sup> .....	—	—	1,173
Loss on sale of assets, net of tax <sup>(7)</sup> .....	1,171	—	—
Adjusted net income .....	<u>\$ 140,463</u>	<u>\$ 131,056</u>	<u>\$ 86,793</u>
Adjusted diluted earnings per share .....	<u>\$ 2.12</u>	<u>\$ 2.07</u>	<u>\$ 1.53</u>

- (1) Non-recurring adjustment to deferred income taxes for fiscal 2017 relates to the revaluation of our opening deferred income taxes as a result of the U.S. Tax Act as if it had been enacted on January 1, 2017. Non-recurring adjustment to deferred income taxes for fiscal 2016 relates to a true-up of deferred income taxes resulting from our decision during the second quarter of 2016 to discontinue the *Rickland Orchards* brand and the related impairment of intangible assets. Non-recurring adjustment to deferred income taxes for fiscal 2015 relates to a true-up of deferred taxes for state apportionment as a result of the *Green Giant* and *Mama Mary's* acquisitions.
- (2) Loss on extinguishment of debt for fiscal 2017 includes the tax impact of the change in our effective tax rate as a result of the U.S. Tax Act, the write-off of deferred debt financing costs and unamortized discount of \$0.9 million and \$0.2 million, respectively, relating to the repayment of all outstanding borrowings under the tranche A term loans and less than \$0.1 million relating to the refinancing of our tranche B term loans. Loss on extinguishment of debt for fiscal 2016 includes the write-off of deferred debt financing costs and unamortized discount of \$2.2 million and \$0.6 million, respectively, relating to the repayment of \$40.1 million aggregate principal amounts of our tranche A term loans and \$109.9 million aggregate principal amount of our tranche B term loans.
- (3) Acquisition-related and other non-recurring expenses for fiscal 2017 primarily include acquisition and integration expenses for the *Green Giant*, spices & seasonings, *Victoria* and *Back to Nature* acquisitions, severance and hiring costs, a non-recurring interest charge relating to the refinancing of our credit agreement and a non-recurring startup surcharge paid to a co-packer.
- (4) Distribution restructuring expenses for fiscal 2016 and 2015 include expenses relating to our transitioning of the operations of our three primary shelf-stable distribution centers and a new fourth primary shelf-stable distribution center in the United States to a third party logistics provider.
- (5) Acquisition-related inventory step-up for fiscal 2017 relates to the purchase accounting adjustments made to the finished goods inventory acquired in the *Back to Nature* and spices & seasonings acquisitions. Acquisition-related inventory step-up for fiscal 2016 relates to the purchase accounting adjustments made to the finished goods inventory acquired in the spices & seasonings acquisition. Acquisition-related step-up for fiscal 2015 relates to the purchase accounting adjustments made to the finished goods inventory acquired in the *Green Giant* acquisition.
- (6) During the fourth quarter of 2017, we recorded a loss on disposal of inventory of \$3.3 million. During the second quarter of 2016, we discontinued the *Rickland Orchards* brand because there was not sufficient demand to warrant continued production. Accordingly, we wrote off the related intangible assets and recorded non-cash impairment charges to amortizable trademarks and customer relationship intangibles of \$4.5 million and \$0.9 million, respectively, which are recorded in “Impairment of intangible assets” in our consolidated statement of operations for fiscal 2016. We also recorded a charge to cost of goods sold of approximately \$0.8 million in connection with the write-off of raw materials and finished goods inventory used for the *Rickland Orchards* brand.
- (7) During fiscal 2017, we sold to a third-party co-packer our Le Sueur, Minnesota research center, including the seed technology assets, property, plant and equipment. We acquired the research center and related assets on November 2, 2015, as part of the *Green Giant* acquisition. The sale resulted in a \$1.6 million loss on sale of assets.

### ***Fiscal 2017 Compared to Fiscal 2016***

***Net Sales.*** Net sales increased by \$276.8 million, or approximately 20.0%, to \$1.67 billion for fiscal 2017 from \$1.39 billion in 2016. The net sales increase was due to an increase in unit volume of \$287.5 million, partially offset by a decrease in net pricing of \$10.7 million. The unit volume increase was primarily driven by an additional eleven plus months of net sales of the spices & seasonings business, acquired on November 21, 2016, an additional eleven months of net sales of *Victoria*, acquired on December 2, 2016, and three months of net sales of *Back to Nature*, acquired on October 2, 2017.

Base business net sales for fiscal 2017 decreased by approximately \$15.0 million, or 1.1%. The decrease in base business net sales was driven by a decrease in unit volume of \$4.3 million, or 0.3%, and a decrease in net pricing of \$10.7 million, or 0.8%. Net sales of *Green Giant* frozen products, benefitting from the strong performance of new innovation products, increased \$33.6 million, or 11.1%, and net sales of Pirate Brands, benefitting from new distribution gains, plus momentum from a strong back-to-school season and successful promotional events, increased \$5.2 million, or 6.1%. Net sales of *Green Giant* shelf-stable products decreased \$30.6 million, or 19.6%, primarily due to weak consumption trends and distribution losses with a key customer. Net sales of our maple syrup products decreased \$7.0 million, or 7.0%, primarily due to the Company's decision during the first quarter of 2017 to discontinue certain private label sales. And net sales of *Ortega* decreased \$3.0 million, or 2.1%, primarily due to heightened competitive activity. The overall decline in base business net sales in fiscal 2017 was concentrated in the first half of the year. Base business net sales in the third and fourth quarters of fiscal 2017 increased 1.2% compared to the third and fourth quarters of 2016.

The spices & seasonings business and *Victoria*, each acquired in the fourth quarter of 2016, generated fiscal 2017 net sales of \$260.7 million and \$42.8 million, respectively, compared to our initial forecasts at the time of acquisition of \$220.0 million of net sales for the spices & seasonings business and \$41.0 million of net sales for *Victoria*.

See Note 15, "Net Sales by Brand," to our consolidated financial statements in Part I, Item 1 of this report, for detailed information regarding total net sales by brand for fiscal 2017 and fiscal 2016 for each of our brands that equaled or exceeded approximately 3% of our fiscal 2017 net sales and for all other brands in the aggregate.

The following chart sets forth the most significant base business net sales increases and decreases by brand for fiscal 2017:

Brand:	Base Business	
	Net Sales Increase (Decrease)	
	Dollars	Percentage
	(in millions)	
<i>Green Giant</i> - frozen .....	\$ 33.6	11.1 %
Pirate Brands .....	5.2	6.1 %
<i>New York Style</i> .....	2.6	7.7 %
<i>Underwood</i> .....	1.6	8.0 %
<i>Grandma's</i> .....	1.0	7.5 %
<i>Green Giant</i> - shelf stable .....	(30.6)	(19.6)%
<i>Maple Grove Farms of Vermont</i> .....	(4.5)	(6.2)%
<i>Ortega</i> .....	(3.0)	(2.1)%
<i>Mama Mary's</i> .....	(2.9)	(8.0)%
<i>Bear Creek Country Kitchens</i> .....	(2.1)	(4.0)%
<i>Las Palmas</i> .....	(2.1)	(5.3)%
<i>Spring Tree</i> .....	(1.9)	(10.3)%
<i>B&amp;M</i> .....	(1.4)	(7.4)%
<i>Bloch &amp; Guggenheimer</i> .....	(1.4)	(5.6)%
<i>TrueNorth</i> .....	(1.3)	(10.3)%
<i>Emeril</i> .....	(1.3)	(8.9)%
All other brands .....	(6.5)	(2.1)%
Base business net sales decrease .....	<u>\$ (15.0)</u>	(1.1)%

*Gross Profit.* Gross profit increased \$14.3 million, or 3.2%, to \$462.2 million for fiscal 2017 from \$448.0 million for fiscal 2016. Gross profit expressed as a percentage of net sales was 27.7% for fiscal 2017 compared to 32.2% for fiscal 2016. Excluding the 2.5 percentage point impact due to product mix, gross profit as a percentage of net sales decreased 2.0 percentage points. Approximately 1.4 percentage points of the decrease in gross profit percentage was due to an increase in warehousing and distribution costs and 0.6 percentage points of the decrease was due to a decrease in net pricing.

*Selling, general and administrative expenses.* Selling, general and administrative expenses were \$205.2 million in fiscal 2017, compared to \$174.8 million in fiscal 2016, an increase of \$30.5 million, or 17.4%. The increase was attributable to increased warehousing expenses of \$12.8 million, acquisition-related and other non-recurring expenses of \$11.4 million, selling expenses of \$7.2 million (which includes increases on brokerage expenses of \$5.9 million and \$0.6 million of salesperson compensation) and consumer marketing expenses of \$0.6 million, slightly offset by decreases of \$1.3 million of distribution restructuring expenses and all other expenses of \$0.2 million. Expressed as a percentage of net sales, selling, general and administrative expenses improved by 0.3 percentage points to 12.3% for fiscal 2017 compared to 12.5% for 2016.

*Amortization Expense.* Amortization expense increased \$3.8 million to \$17.6 million for fiscal 2017 from \$13.8 million for fiscal 2016 due to the *Back to Nature* acquisition completed in fiscal 2017 and the spices & seasonings and *Victoria* acquisitions completed in fiscal 2016.

*Impairment of Intangible Assets.* Impairment of intangible assets of \$5.4 million for fiscal 2016 includes a \$4.5 million loss for the impairment of amortizable trademarks and a \$0.9 million loss for the impairment of customer relationship intangibles, both relating to *Rickland Orchards*, as we discontinued the *Rickland Orchards* brand during the second quarter of 2016 because there was not sufficient demand to warrant continued production.

*Operating Income.* As a result of the foregoing, operating income decreased \$14.6 million, or 5.7%, to \$239.4 million for fiscal 2017 from \$254.0 million for fiscal 2016. Operating income expressed as a percentage of net sales decreased to 14.4% in fiscal 2017 from 18.3% in fiscal 2016.

*Net Interest Expense.* Net interest expense was \$91.8 million in fiscal 2017, compared to \$74.5 million in fiscal 2016. The increase was primarily attributable to additional borrowings made in the fourth quarter of 2016 to fund the spices & seasonings acquisition and the *Victoria* acquisition and in the fourth quarter of 2017 to fund the *Back to Nature* acquisition, and our senior notes offerings in second quarter and fourth quarter of 2017. See “—Liquidity and Capital Resources – Debt” below.

*Loss on Extinguishment of Debt.* Loss on extinguishment of debt for fiscal 2017 includes the write-off of deferred debt financing costs and unamortized discount of \$0.9 million and \$0.2 million, respectively, relating to the repayment of all outstanding borrowings under the tranche A term loans. Loss on extinguishment of debt for fiscal 2016 includes the write-off of deferred debt financing costs and unamortized discount of \$2.2 million and \$0.6 million, respectively, relating to the repayment of \$40.1 million aggregate principal amount of our tranche A term loans and \$109.9 million aggregate principal amount of our tranche B term loans. See “Liquidity and Capital Resources -Debt” below.

*Other Income.* Other income for fiscal 2017 includes remeasurement of monetary assets denominated in a foreign currency into U.S. dollars of \$1.6 million. Other income for fiscal 2016 includes remeasurement of monetary assets denominated in a foreign currency into U.S. dollars of \$0.4 million.

*Income Tax (Benefit) Expense.* Income tax (benefit) expense changed \$137.0 million to a tax benefit of \$(69.4) million in fiscal 2017 from a tax expense of \$67.6 million for fiscal 2016. See “U.S. Tax Act” above for a discussion of the impact of the recently enacted tax legislation on Income Tax (Benefit) Expense. Without the impact of the U.S. Tax Act, our income tax expense for fiscal 2017 would have been approximately \$57.1 million and our effective tax rate would have been 38.6%.

### ***Fiscal 2016 Compared to Fiscal 2015***

*Net Sales.* Net sales increased \$424.9 million, or 44.0%, to \$1,391.3 million for fiscal 2016 from \$966.4 million for fiscal 2015. An additional ten months of net sales of *Green Giant*, acquired on November 2, 2015, and an additional almost six months of net sales of *Mama Mary's*, acquired on July 10, 2015, contributed \$397.6 million and \$19.4 million, respectively, to the overall net sales increase. In addition, net sales of the spices & seasonings business, acquired on November 21, 2016, and net sales of *Victoria*, acquired on December 2, 2016, contributed \$28.2 million and \$3.2 million, respectively, to the overall net sales increase.

Base business net sales for fiscal 2016 decreased \$20.9 million, or 2.5%, to \$816.8 million from \$837.7 million for fiscal 2015. The \$20.9 million decrease was attributable to a decrease in unit volume of \$14.2 million, or 1.7%, a decrease in net pricing of \$6.0 million, or 0.7%, and the negative impact of currency fluctuations on foreign sales of approximately \$0.7 million, or 0.1%.

A primary driver of the decline in base business net sales for fiscal 2016 was our syrup business. The net sales of those brands declined in the aggregate \$7.7 million for the year. The decline was primarily attributable to maple syrup price deflation due to the strength of the U.S. dollar relative to the Canadian dollar, which resulted in increased competition in the maple syrup category and contractually mandated price reductions with certain of our foodservice customers. Another significant factor in the decline in base business net sales for fiscal 2016 was the *TrueNorth* brand, which declined \$6.4 million, or 33.9%. The *TrueNorth* net sales decline was primarily the result of historically high almond prices in 2015. In response to increased almond costs, we increased the selling price for *TrueNorth* products, which had a negative impact on consumer demand. Although we rolled back pricing as almond prices began to return to historical norms, consumer demand did not return to prior levels. Base business net sales were also negatively impacted by net sales of our *Ortega* products, which decreased \$3.7 million, or 2.6%. A portion of the decrease was attributable to the effects of the product recall we announced in November 2014, which caused an increase in net sales of *Ortega* in fiscal 2015 due to customers restocking inventory of products affected by the recall, partially offset by \$1.2 million of customer refunds related to the recall. \$1.5 million of the decrease in net sales of *Ortega* was due to a net pricing decrease in fiscal 2016.

See Note 15, “Net Sales by Brand,” to our consolidated financial statements in Part I, Item 1 of this report, for detailed information regarding total net sales by brand for fiscal 2016 and fiscal 2015 for each of our brands that equaled or exceeded approximately 3% of our fiscal 2017 net sales and for all other brands in the aggregate.

The following chart sets forth the most significant base business net sales increases and decreases by brand for fiscal 2016:

	Base Business	
	Net Sales Increase (Decrease)	
	Dollars	Percentage
	(in millions)	
Brand:		
Pirate Brands .....	\$ 3.2	3.9 %
<i>Las Palmas</i> .....	2.4	6.6 %
<i>TrueNorth</i> .....	(6.4)	(33.9)%
<i>Maple Grove Farms of Vermont</i> .....	(4.9)	(6.3)%
<i>Ortega</i> .....	(3.7)	(2.6)%
<i>Mrs. Dash</i> .....	(2.6)	(4.0)%
<i>Spring Tree</i> .....	(2.4)	(11.3)%
<i>New York Style</i> .....	(2.4)	(6.7)%
All other brands .....	(4.1)	(1.2)%
Base business net sales decrease .....	<u>\$ (20.9)</u>	<u>(2.5)%</u>

*Gross Profit.* Gross profit increased \$158.4 million, or 54.7%, to \$448.0 million for fiscal 2016 from \$289.6 million for fiscal 2015. Gross profit expressed as a percentage of net sales increased to 32.2% in fiscal 2016 from 30.0% in fiscal 2015, an increase of 2.2 percentage points. The increase in gross profit percentage was primarily driven by the acquisition of *Green Giant*. Gross profit percentage was also positively impacted by decreased costs for commodities, packaging and distribution for the base business and improved product mix, which was partially offset by the unfavorable impact the decrease in base business sales volume had on cost absorption, a net reduction in base business pricing, and the impact of the write-off of *Rickland Orchards* inventory in connection with our decision to discontinue the brand. See Note 6, “Goodwill and Other Intangible Assets” to our consolidated financial statements for a more detailed description of this write-off.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses increased \$68.9 million, or 65.0%, to \$174.8 million for fiscal 2016 from \$105.9 million for fiscal 2015, primarily due to the *Green Giant* acquisition. Acquisition-related expenses and distribution restructuring expenses increased \$10.0 million for fiscal 2016. The remaining \$58.9 million of the increase was attributable to increases in consumer marketing of \$41.6 million, selling expenses of \$8.7 million (which includes a \$7.5 million increase in brokerage expenses and a \$1.2 million increase in salesperson compensation), warehousing expenses of \$7.4 million and general and administrative expenses of \$1.2 million (primarily related to compensation). Expressed as a percentage of net sales, selling, general and administrative expenses increased 1.5 percentage points to 12.5% for fiscal 2016 from 11.0% for fiscal 2015.

*Amortization Expense.* Amortization expense increased \$2.5 million to \$13.8 million for fiscal 2016 from \$11.3 million for fiscal 2015 due to the *Victoria* and spices & seasonings acquisitions completed in fiscal 2016 and the *Green Giant* and *Mama Mary's* acquisitions completed in fiscal 2015.

*Impairment of Intangible Assets.* Impairment of intangible assets of \$5.4 million for fiscal 2016 includes a \$4.5 million loss for the impairment of amortizable trademarks and a \$0.9 million loss for the impairment of customer relationship intangibles, both relating to *Rickland Orchards*, as we discontinued the *Rickland Orchards* brand because there was not sufficient demand to warrant continued production. See Note 6, "Goodwill and Other Intangible Assets" to our consolidated financial statements for a more detailed description of the impairment of intangible assets related to *Rickland Orchards*.

*Operating Income.* As a result of the foregoing, operating income increased \$81.6 million, or 47.4%, to \$254.0 million for fiscal 2016 from \$172.4 million for fiscal 2015. Operating income expressed as a percentage of net sales increased to 18.3% in fiscal 2016 from 17.8% in fiscal 2015.

*Net Interest Expense.* Net interest expense increased \$23.4 million, or 45.6%, to \$74.5 million for fiscal 2016 from \$51.1 million in fiscal 2015. The increase was primarily attributable to additional indebtedness outstanding during fiscal 2016 as compared to fiscal 2015 as a result of the *Green Giant* acquisition, the spices & seasonings acquisition, and the *Victoria* acquisition. See "—Liquidity and Capital Resources—Debt" below.

*Loss on Extinguishment of Debt.* Loss on extinguishment of debt for fiscal 2016 includes the write-off of deferred debt financing costs and unamortized discount of \$2.2 million and \$0.6 million, respectively, relating to the repayment of \$40.1 million aggregate principal amount of our tranche A term loans and \$109.9 million aggregate principal amount of our tranche B term loans. We did not incur a loss on extinguishment of debt for fiscal 2015. See "—Debt" below.

*Other Income.* Other income for fiscal 2016 includes remeasurement of monetary assets denominated in a foreign currency into U.S. dollars of \$0.4 million.

*Income Tax Expense.* Income tax expense increased \$15.5 million to \$67.6 million for fiscal 2016 from \$52.1 million for fiscal 2015. Our effective tax rate was 38.2% for fiscal 2016 and 43.0% for fiscal 2015.

## **Liquidity and Capital Resources**

Our primary liquidity requirements include debt service, capital expenditures and working capital needs. See also, "Dividend Policy" and "Commitments and Contractual Obligations" below. We fund our liquidity requirements, as well as our dividend payments and financing for acquisitions, primarily through cash generated from operations and external sources of financing, including our revolving credit facility.

### **Cash Flows**

*Net Cash Provided by Operating Activities.* Net cash provided by operating activities decreased \$251.9 million to \$37.8 million for fiscal 2017 from \$289.7 million for fiscal 2016. The decrease in net cash provided by operating activities primarily reflects unfavorable working capital (comprised of changes in inventories, other current assets, accounts payable and accrued expenses) comparisons to the fiscal year 2016. This decrease is primarily due to a

significant increase in inventory net of businesses acquired in 2017 compared to a decrease in inventory net of businesses acquired in 2016, and the timing of payments received from post-acquisition transition services agreements. Net cash provided by operating activities increased \$161.2 million to \$289.7 million for fiscal 2016 from \$128.5 million for fiscal 2015. The increase in net cash provided by operating activities in fiscal 2016 as compared to fiscal 2015 was primarily due to the *Green Giant* acquisition, including the favorable impact of an increase in cash provided by working capital and higher net income for fiscal 2016, as compared to fiscal 2015.

*Net Cash Used in Investing Activities.* Net cash used in investing activities decreased \$260.7 million to \$220.5 million for fiscal 2017 from \$481.2 million for fiscal 2016. The decrease was primarily attributable to the decrease in payments made for the acquisition of businesses, net of cash acquired, and an increase in proceeds from the sale of assets, partially offset by an increase in capital spending. Capital expenditures in fiscal year 2017 and 2016 included expenditures for building improvements, purchases of manufacturing equipment, expenditures in connection with the implementation of a new enterprise resource planning (ERP) system and capitalized interest.

*Net Cash Provided by Financing Activities.* Net cash provided by financing activities for fiscal 2017 increased \$143.3 million to \$359.3 million from \$216.0 million for fiscal 2016. Net cash provided by financing activities for the fiscal year 2017 consisted of \$914.0 million of proceeds from the issuance of our 5.25% senior notes and \$395.0 million of revolving credit facility borrowings, partially offset by \$233.6 million repayment of our tranche A term loans, \$571.0 million of repayments of revolving credit facility borrowings, \$123.6 million of dividend payments, \$19.5 million of debt financing costs and \$2.0 million of payments of tax withholding on behalf of employees for net share settlement of share based compensation. Net cash provided by financing activities for fiscal 2016 decreased \$551.4 million to \$216.0 million from \$767.4 million for fiscal 2015. The decrease was primarily attributable to differences in the net effects of our equity offerings in March and August of 2016, prepayments of long-term debt and borrowings under our revolving credit facility in fiscal 2016, as compared to fiscal 2015. See “—*Debt*” below.

*Cash Income Tax Payments.* During fiscal 2017 we made cash tax payments of approximately \$17.2 million even though we recorded a tax benefit for financial reporting purposes. See “U.S. Tax Act” above for a discussion of the impact and expected impact of the U.S. Tax Act on our cash income tax payments. Based on a number of factors, including amortization for tax purposes of our trademarks, goodwill and other intangible assets acquired in prior acquisitions, we realized a significant reduction in cash taxes in fiscal 2016 and 2015 as compared to our tax expense for financial reporting purposes. During the second quarter of 2016, we discontinued the *Rickland Orchards* brand, which resulted in a one-time cash taxes benefit of \$17.3 million for fiscal 2016. We believe that we will realize a benefit to our cash taxes payable from amortization of our trademarks, goodwill and other intangible assets for the taxable years 2018 through 2032. If there is a change in U.S. federal tax policy that reduces any of these available deductions or results in an increase in our corporate tax rate, our cash taxes payable may increase further, which could significantly reduce our future liquidity and impact our ability to make interest and dividend payments.

### ***Dividend Policy***

For a discussion of our dividend policy, see the information set forth under the heading “Dividend Policy” in Part II, Item 5 of this report.

### ***Acquisitions***

Our liquidity and capital resources have been significantly impacted by acquisitions and may be impacted in the foreseeable future by additional acquisitions. As discussed elsewhere in this report, as part of our growth strategy we plan to expand our brand portfolio with disciplined acquisitions of complementary brands. We have historically financed acquisitions by incurring additional indebtedness, issuing equity and/or using cash flows from operating activities. Our interest expense has over time increased as a result of additional indebtedness we have incurred in connection with acquisitions and will increase with any additional indebtedness we may incur to finance future acquisitions. Although we may subsequently issue equity and use the proceeds to repay all or a portion of the additional indebtedness incurred to finance an acquisition and reduce our interest expense, the additional shares of common stock would increase the amount of cash flows from operating activities necessary to fund dividend payments.

We financed the *Mama Mary's* acquisition, completed in July 2015, with cash on hand from the proceeds of a public offering of common stock we completed in May 2015. We financed the *Green Giant* acquisition, completed in November 2015, with additional indebtedness, and we repaid a portion of that additional indebtedness with the proceeds of a public offering of common stock we completed in March 2016. We financed the spices & seasonings acquisition, completed in November 2016, with cash on hand, including the net proceeds of our August 2016 public offering of common stock, and additional revolving loans under our existing credit facility. We financed the *Victoria* acquisition, completed in December 2016, with cash on hand and additional revolving loans under our existing credit facility. We financed the *Back to Nature* acquisition, completed in October 2017, with cash on hand and additional revolving loans under our existing credit facility. The impact of future acquisitions, whether financed with additional indebtedness or otherwise, may have a material impact on our liquidity and capital resources.

### ***Debt***

*Senior Secured Credit Agreement.* In fiscal 2017, we refinanced our senior secured credit facility twice by amending and restating our senior secured credit agreement, first on March 30, 2017, and again on November 20, 2017.

The first refinancing, on March 30, 2017, reduced by 0.75% the spread over LIBOR or the applicable base rate on \$640.1 million of tranche B term loans.

On April 3, 2017, we repaid all of the outstanding borrowings and amounts due under our revolving credit facility and tranche A term loans using a portion of the net proceeds of our registered public offering of \$500.0 million aggregate principal amount of 5.25% senior notes due 2025.

On November 20, 2017, we again refinanced our senior secured credit facility. This second refinancing increased the principal amount of the tranche B term loans by \$10 million to \$650.1 million, reduced by 25 basis points the spread over LIBOR or the applicable base rate on the tranche B term loans and any revolving loans, increased the aggregate commitments under our revolving credit facility from \$500 million to \$700 million, and extended the maturity date applicable to our revolving credit facility from June 2019 to November 2022.

At December 30, 2017, \$650.1 million of tranche B term loans and no amount of revolving loans were outstanding under our credit agreement. During the first quarter of 2018, we made an optional prepayment of \$50.0 million aggregate principal amount of our tranche B term loans. As of the date of this report, \$600.1 million of tranche B term loans remains outstanding.

Our credit agreement is secured by substantially all of our and our domestic subsidiaries' assets except our and our domestic subsidiaries' real property.

At December 30, 2017, the available borrowing capacity under our revolving credit facility, net of outstanding letters of credit of \$2.2 million, was \$697.8 million. Proceeds of the revolving credit facility may be used for general corporate purposes, including acquisitions of targets in the same or a similar line of business as our company, subject to specified criteria. The revolving credit facility matures on November 21, 2022.

The entire \$600.1 million principal amount of tranche B term loans outstanding are due and payable at maturity on November 2, 2022.

Interest under the revolving credit facility, including any outstanding letters of credit is determined based on alternative rates that we may choose in accordance with the credit agreement, including a base rate per annum plus an applicable margin ranging from 0.25% to 0.75%, and LIBOR plus an applicable margin ranging from 1.25% to 1.75%, in each case depending on our consolidated leverage ratio.

Interest under the tranche B term loan facility is determined based on alternative rates that we may choose in accordance with the credit agreement, including a base rate per annum plus an applicable margin of 1.00%, and LIBOR plus an applicable margin of 2.00%. At December 30, 2017, the tranche B term loan interest rate was approximately 3.569%.

For further information regarding our credit agreement, including a description of optional and mandatory prepayment terms, and financial and restrictive covenants, see Note 7, "Long-Term Debt," to our consolidated financial statements in Part II, Item 8 of this report.

*4.625% Senior Notes due 2021.* On June 4, 2013, we issued \$700.0 million aggregate principal amount of 4.625% senior notes due 2021 at a price to the public of 100% of their face value. We used the net proceeds from the issuance of the 4.625% senior notes to purchase or redeem all \$248.5 million principal amount of our then existing 7.625% senior notes due 2018, to repay \$222.2 million principal amount of our then existing tranche B term loans and approximately \$40.0 million principal amount of revolving loans under our then existing credit agreement, and to pay related premiums, fees and expenses. We used the remaining net proceeds for our acquisition of Pirate Brands, completed in July 2013.

Interest on the 4.625% senior notes is payable on June 1 and December 1 of each year. The 4.625% senior notes will mature on June 1, 2021, unless earlier retired or redeemed as permitted or required by the terms of the indenture governing the 4.625% senior notes as described in Note 7, "Long-Term Debt," to our consolidated financial statements in Part II, Item 8 of this report. We may also, from time to time, seek to retire the 4.625% senior notes through cash repurchases of the 4.625% senior notes or exchanges of the 4.625% senior notes for equity securities or both, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

We may also, from time to time, seek to retire the 4.625% senior notes through cash repurchases of the 4.625% senior notes and/or exchanges of the 4.625% senior notes for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

See Note 7, "Long-Term Debt," to our consolidated financial statements in Part II, Item 8 of this report for a more detailed description of the 4.625% senior notes.

*5.25% Senior Notes due 2025.* On April 3, 2017, we issued \$500.0 million aggregate principal amount of 5.25% senior notes due 2025 at a price to the public of 100% of their face value. On November 20, 2017, we issued an additional \$400.0 million aggregate principal amount of 5.25% senior notes due 2025 at a price to the public 101% of their face value plus accrued interest from October 1, 2017, which equates to a yield to worst of 5.03%. The notes issued in November were issued as additional notes under the same indenture as our 5.25% senior notes due 2025 that were issued in April, and, as such, form a single series and trade interchangeably with the previously issued 5.25% senior notes.

We used the net proceeds of the April offering to repay all of the outstanding borrowings and amounts due under our revolving credit facility and tranche A term loans, and to pay related fees and expenses. We used the net proceeds of the November offering to repay all of the then outstanding borrowings and amounts due under our revolving credit facility and to pay related fees and expenses. We have used a portion of, and intend to use the remaining portion of, the net proceeds of the April and November offerings for general corporate purposes, which have included and could include, among other things, repayment of other long term debt or possible acquisitions.

Interest on the 5.25% senior notes is payable on April 1 and October 1 of each year, commencing October 1, 2017. The 5.25% senior notes will mature on April 1, 2025, unless earlier retired or redeemed as permitted or required by the terms of the indenture governing the 5.25% senior notes as described in Note 7, "Long-Term Debt," to our consolidated financial statements in Part II, Item 8 of this report.

We may also, from time to time, seek to retire the 5.25% senior notes through cash repurchases of the 5.25% senior notes and/or exchanges of the 5.25% senior notes for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

See Note 7, "Long-Term Debt," to our consolidated financial statements in Part II, Item 8 of this report for a more detailed description of the 5.25% senior notes.

*Deferred Debt Financing Costs.* During fiscal 2017, we wrote off and expensed \$0.9 million of debt financing costs in connection with the repayment of all outstanding borrowings under the tranche A term loans and less than \$0.1 million in connection with the refinancing of our tranche B term loans. During fiscal 2016, we wrote-off and expensed \$2.2 million of debt financing costs in connection with the repayment of \$40.1 million aggregate principal amount of our tranche A term loans and \$109.9 million aggregate principal amount of our tranche B term loans. During fiscal 2015, we



capitalized \$14.5 million of debt financing costs relating to the tranche B term loans, which are being amortized over the seven year scheduled term of the tranche B term loans.

### ***Future Capital Needs***

On December 30, 2017, our total long-term debt of \$2,217.6 million, net of our cash and cash equivalents of \$206.5 million, was \$2,011.1 million. Stockholders' equity as of that date was \$880.8 million.

Our ability to generate sufficient cash to fund our operations depends generally on our results of operations and the availability of financing. Our management believes that our cash and cash equivalents on hand, cash flow from operating activities and available borrowing capacity under our revolving credit facility will be sufficient for the foreseeable future to fund operations, meet debt service requirements, fund capital expenditures, make future acquisitions, if any, and pay our anticipated quarterly dividends on our common stock.

We expect to make capital expenditures of approximately \$50.0 million to \$55.0 million in the aggregate during fiscal 2018. Our projected capital expenditures for fiscal 2018 include anticipated capital expenditures of approximately \$2.5 million to move equipment used in the production of certain Green Giant products from General Mills' Belvidere, Illinois manufacturing facility to an existing B&G Foods co-packer, approximately \$2.0 million for new productivity projects, \$5.5 million to fund infrastructure optimization projects, \$3.6 million for IT infrastructure including cyber security, and approximately \$12.4 million in connection with the implementation of a new enterprise resource planning (ERP) system.

### ***Seasonality***

Sales of a number of our products tend to be seasonal and may be influenced by holidays, changes in seasons or certain other annual events. In general our sales are higher during the first and fourth quarters.

We purchase most of the produce used to make our frozen and shelf-stable vegetables, shelf-stable pickles, relishes, peppers, tomatoes and other related specialty items during the months of June through October, and we generally purchase the majority of our maple syrup requirements during the months of April through August. Consequently, our liquidity needs are greatest during these periods.

### ***Inflation***

We are currently locked into pricing and supply for substantially all of our major commodities, other than maple syrup, through fiscal 2018 at a cost increase of less than 1% of cost of goods sold and will continue to manage inflation risk by entering into short term supply contracts and advance commodities purchase agreements from time to time, and, if necessary, by raising prices. During each of fiscal 2016 and fiscal 2015 we had a minimal cost decrease. To the extent we are unable to avoid or offset any present or future cost increases by locking in our costs, implementing cost saving measures or increasing prices to our customers, our operating results could be materially and adversely affected. In addition, if input costs begin to decline, customers may look for price reductions in situations where we have locked into purchases at higher costs.

### ***Contingencies***

See Note 13, "Commitments and Contingencies," to our consolidated financial statements in Part II, Item 8 of this report.

### **Recent Accounting Pronouncements**

See Note 2(s), "Summary of Significant Accounting Policies — *Recently Issued Accounting Standards*," to our consolidated financial statements in Part II, Item 8 of this report.

## Off-balance Sheet Arrangements

As of December 30, 2017, we did not have any off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of Regulation S-K.

## Commitments and Contractual Obligations

Our contractual obligations and commitments principally include obligations associated with our outstanding indebtedness, future minimum operating lease obligations, future purchase obligations and future pension obligations as set forth in the following table as of December 30, 2017.

Contractual Obligations:	Payments Due by Period				
	Total	Fiscal 2018	Fiscal 2019 and 2020	Fiscal 2021 and 2022	Fiscal 2023 and Thereafter
	(In thousands)				
Long-term debt—principal	\$ 2,250,110	\$ —	\$ —	\$ 1,350,110	\$ 900,000
Long-term debt—interest <sup>(1)</sup>	532,946	102,827	186,769	137,037	106,313
Operating leases	43,805	10,670	18,039	8,347	6,749
Purchase obligations <sup>(2)</sup>	37,992	37,992	—	—	—
Pension obligations <sup>(3)</sup>	1,100	1,100	—	—	—
Total	<u>\$ 2,865,953</u>	<u>\$ 152,589</u>	<u>\$ 204,808</u>	<u>\$ 1,495,494</u>	<u>\$ 1,013,062</u>

- (1) Expected interest payments on long-term debt are based on principal amounts outstanding, scheduled maturity dates and interest rates at December 30, 2017. See Note 7, “Long-Term Debt,” to our consolidated financial statements in Part II, Item 8 for further information as to our long-term debt interest obligations.
- (2) For the purposes of this table, purchase obligations means agreements to purchase goods or services (such as raw materials, commodities, packaging, other materials and supplies and co-manufacturing arrangements) that are enforceable and legally binding on B&G Foods and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. The purchase obligations in the above table do not represent our entire expected future purchases for goods and services, which are significantly higher than the amounts set forth above. The table does not include purchase obligations under contracts that may be cancelled by B&G Foods without material penalty. Any amounts reflected on our consolidated balance sheet as accounts payable and accrued liabilities are excluded from the purchase obligations set forth in the table above. Penalties, if any, related to molds and equipment based upon failure to meet minimum volume requirements are also excluded from the table because we are unable to determine whether such penalties will be incurred and, if incurred, over what time period they will be paid.
- (3) We expect to make \$1.1 million of defined pension benefit contributions during fiscal 2018. We are unable to reliably estimate the timing of pension contributions and contribution amounts beyond fiscal 2018.

## Forward-Looking Statements

This report includes forward-looking statements, including without limitation the statements under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” The words “believes,” “anticipates,” “plans,” “expects,” “intends,” “estimates,” “projects” and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, performance, or achievements expressed or implied by any forward-looking statements. We believe important factors that could cause actual results to differ materially from our expectations include the following:

- our substantial leverage;
- the impact to our business and our financial results of the U.S. Tax Act;
- the effects of rising costs for our raw materials, packaging and ingredients;
- crude oil prices and their impact on distribution, packaging and energy costs;

- our ability to successfully implement sales price increases and cost saving measures to offset any cost increases;
- intense competition, changes in consumer preferences, demand for our products and local economic and market conditions;
- our continued ability to promote brand equity successfully, to anticipate and respond to new consumer trends, to develop new products and markets, to broaden brand portfolios in order to compete effectively with lower priced products and in markets that are consolidating at the retail and manufacturing levels and to improve productivity;
- the risks associated with the expansion of our business;
- our possible inability to identify new acquisitions or to integrate recent or future acquisitions or our failure to realize anticipated revenue enhancements, cost savings or other synergies;
- our ability to access the credit markets and our borrowing costs and credit ratings, which may be influenced by credit markets generally and the credit ratings of our competitors;
- unanticipated expenses, including, without limitation, litigation or legal settlement expenses;
- the effects of currency movements of the Canadian dollar and the Mexican peso as compared to the U.S. dollar;
- future impairments of our goodwill and intangible assets;
- our ability to successfully implement a new enterprise resource planning (ERP) system;
- our ability to protect information systems against, or effectively respond to, a cybersecurity incident or other disruption;
- our sustainability initiatives and changes to environmental laws and regulations;
- 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 and co-packers, including the risk that any failure by one or more of our third-party suppliers or co-packers 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
  - other factors discussed elsewhere in this report, including under Item 1A, "Risk Factors," and in our other public filings with the SEC.

Developments in any of these areas could cause our results to differ materially from results that have been or may be projected by or on our behalf.

All forward-looking statements included in this report are based on information available to us on the date of this report. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this report.

We caution that the foregoing list of important factors is not exclusive. There may be other factors that may cause our actual results to differ materially from the forward-looking statements, including factors disclosed under the

sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this report. You should evaluate all forward-looking statements made in this report in the context of these risks and uncertainties. We urge investors not to unduly rely on forward-looking statements contained in this report.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our principal market risks are exposure to changes in commodity prices, interest rates on borrowings and foreign currency exchange rates and market fluctuation risks related to our defined benefit pension plans.

*Commodity Prices and Inflation.* The information under the heading “Inflation” in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” is incorporated herein by reference.

*Interest Rate Risk.* In the normal course of operations, we are exposed to market risks relating to our long-term debt arising from adverse changes in interest rates. Market risk is defined for these purposes as the potential change in the fair value of a financial asset or liability resulting from an adverse movement in interest rates.

Changes in interest rates impact our fixed and variable rate debt differently. For fixed rate debt, a change in interest rates will only impact the fair value of the debt, whereas for variable rate debt, a change in the interest rates will impact interest expense and cash flows. At December 30, 2017, we had \$1,600.0 million of fixed rate debt and \$650.1 million of variable rate debt.

Based upon our principal amount of long-term debt outstanding at December 30, 2017, a hypothetical 1.0% increase or decrease in interest rates would have affected our annual interest expense by approximately \$6.5 million.

The carrying values and fair values of our revolving credit loans, term loans and senior notes as of December 30, 2017 and December 31, 2016 are as follows (in thousands):

	December 30, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Revolving credit loans	—	—	176,000	176,000 <sup>(1)</sup>
Tranche A term loans due 2019	—	—	233,378 <sup>(2)</sup>	232,795 <sup>(1)</sup>
Tranche B term loans due 2022	647,831 <sup>(3)</sup>	652,689 <sup>(1)</sup>	637,391 <sup>(3)</sup>	645,358 <sup>(1)</sup>
4.625% senior notes due 2021	700,000	710,500 <sup>(5)</sup>	700,000	714,000 <sup>(5)</sup>
5.25% senior notes due 2025	903,910 <sup>(4)</sup>	919,729 <sup>(5)</sup>	—	—

- (1) Fair values are estimated based on Level 2 inputs, which were quoted prices for identical or similar instruments in markets that are not active.
- (2) The carrying values of the tranche A term loans are net of discount. December 31, 2016, the face amounts of the tranche A term loans were \$233.6 million.
- (3) The carrying values of the tranche B term loans are net of discount. At December 30, 2017 and December 31, 2016, the face amounts of the tranche B term loans were \$650.1 million and \$640.1 million, respectively.
- (4) The carrying values of the 5.25% senior notes due 2025 include a premium. At December 30, 2017 the face amount of the 5.25% senior notes due 2025 was \$900.0 million.
- (5) Fair values are estimated based on quoted market prices.

Cash and cash equivalents, trade accounts receivable, income tax receivable/payable, trade accounts payable, accrued expenses and dividends payable are reflected on our consolidated balance sheets at carrying value, which approximates fair value due to the short-term nature of these instruments.

For more information, see Note 7, “Long-Term Debt,” to our consolidated financial statements in Part II, Item 8 of this report.

*Foreign Currency Risk.* Our foreign sales are primarily to customers in Canada. Our sales to Canada are generally denominated in Canadian dollars and our sales for export to other countries are generally denominated in U.S.

dollars. During fiscal 2017, 2016 and 2015, our net sales to customers in foreign countries represented approximately 6.3%, 7.1% and 5.2%, respectively, of our total net sales. We also purchase certain raw materials from foreign suppliers. For example, we purchase a significant majority of our maple syrup requirements from suppliers in Québec, Canada. These purchases are made in Canadian dollars. A weakening of the U.S. dollar in relation to the Canadian dollar would significantly increase our future costs relating to the production of our maple syrup products to the extent we have not purchased Canadian dollars or otherwise entered into a currency hedging arrangement in advance of any such weakening of the U.S. dollar. Our purchases of raw materials from other foreign suppliers are generally denominated in U.S. dollars, but certain purchases of raw materials in Mexico are denominated in Mexican pesos.

As a result, certain revenues and expenses have been, and are expected to be, subject to the effect of foreign currency fluctuations, and these fluctuations may have an adverse impact on operating results.

*Market Fluctuation Risks Relating to our Defined Benefit Pension Plans.* See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies; Use of Estimates – Pension Plans” and Note 12, “Pension Benefits,” to our consolidated financial statements in Part II, Item 8 of this report for a discussion of the exposure of our defined benefit pension plan assets to risks related to market fluctuations.

**Item 8. Financial Statements and Supplementary Data.**

The consolidated balance sheets at December 30, 2017 and December 31, 2016 and the consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows for fiscal 2017, 2016 and 2015 and related notes are set forth below.

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors  
B&G Foods, Inc.:

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of B&G Foods, Inc. and subsidiaries (the “Company”) as of December 30, 2017 and December 31, 2016, the related consolidated statements of operations, comprehensive income, changes in stockholders’ equity and cash flows for the fiscal years ended December 30, 2017, December 31, 2016 and January 2, 2016, and the related notes and the schedule of valuation and qualifying accounts (collectively, the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 30, 2017 and December 31, 2016, and the results of its operations and its cash flows for the fiscal years ended December 30, 2017, December 31, 2016 and January 2, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 30, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 28, 2018 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company’s auditor since 1996.

/s/ KPMG LLP

Short Hills, New Jersey  
February 28, 2018

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors  
B&G Foods, Inc.:

### *Opinion on Internal Control Over Financial Reporting*

We have audited B&G Foods, Inc. and subsidiaries' (the "Company") internal control over financial reporting as of December 30, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 30, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 30, 2017 and December 31, 2016, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows for the fiscal years ended December 30, 2017, December 31, 2016 and January 2, 2016, and the related notes and the schedule of valuation and qualifying accounts (collectively, the consolidated financial statements), and our report dated February 28, 2018 expressed an unqualified opinion on those consolidated financial statements.

The Company acquired the *Back to Nature* business on October 2, 2017 and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 30, 2017, the *Back to Nature* business' internal control over financial reporting associated with 5.4% of total assets and 1.2% of total net sales included in the consolidated financial statements of the Company as of and for the fiscal year ended December 30, 2017. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of the *Back to Nature* business.

### *Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance



with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Short Hills, New Jersey

February 28, 2018

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
(In thousands, except share and per share data)

	<u>December 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents .....	\$ 206,506	\$ 28,833
Trade accounts receivable, less allowance for doubtful accounts and discounts of \$1,824 and \$1,719 as of December 30, 2017 and December 31, 2016, respectively . . .	141,392	119,265
Inventories .....	501,849	356,590
Prepaid expenses and other current assets .....	20,054	26,399
Income tax receivable .....	16,794	10,787
Total current assets .....	<u>886,595</u>	<u>541,874</u>
Property, plant and equipment, net of accumulated depreciation of \$200,664 and \$169,474 .....	272,192	245,344
Goodwill .....	649,292	614,278
Other intangibles, net .....	1,748,220	1,629,482
Other assets .....	1,617	4,625
Deferred income taxes .....	3,122	7,902
Total assets .....	<u>\$ 3,561,038</u>	<u>\$ 3,043,505</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Trade accounts payable .....	\$ 122,358	\$ 98,033
Accrued expenses .....	48,067	62,393
Current portion of long-term debt .....	—	10,515
Income tax payable .....	139	3,875
Dividends payable .....	30,922	30,879
Total current liabilities .....	<u>201,486</u>	<u>205,695</u>
Long-term debt .....	2,217,574	1,715,268
Other liabilities .....	24,881	21,405
Deferred income taxes .....	236,278	315,480
Total liabilities .....	<u>2,680,219</u>	<u>2,257,848</u>
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock, \$0.01 par value per share. Authorized 1,000,000 shares; no shares issued or outstanding .....	—	—
Common stock, \$0.01 par value per share. Authorized 125,000,000 shares; 66,499,044 and 66,406,314 shares issued and outstanding as of December 30, 2017 and December 31, 2016 .....	665	664
Additional paid-in capital .....	266,789	387,699
Accumulated other comprehensive loss .....	(20,756)	(19,364)
Retained earnings .....	634,121	416,658
Total stockholders' equity .....	<u>880,819</u>	<u>785,657</u>
Total liabilities and stockholders' equity .....	<u>\$ 3,561,038</u>	<u>\$ 3,043,505</u>

See accompanying Notes to Consolidated Financial Statements.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Operations**  
(In thousands, except per share data)

	Year Ended		
	December 30, 2017	December 31, 2016	January 2, 2016
Net sales . . . . .	\$ 1,668,056	\$ 1,391,257	\$ 966,358
Cost of goods sold . . . . .	1,205,809	943,295	676,794
Gross profit . . . . .	462,247	447,962	289,564
Operating expenses:			
Selling, general and administrative expenses . . . . .	205,234	174,759	105,939
Amortization expense . . . . .	17,611	13,803	11,255
Impairment of intangible assets . . . . .	—	5,405	—
Operating income . . . . .	239,402	253,995	172,370
Other income and expenses:			
Interest expense, net . . . . .	91,784	74,456	51,131
Loss on extinguishment of debt . . . . .	1,163	2,836	—
Other income . . . . .	(1,607)	(363)	—
Income before income tax (benefit) expense . . . . .	148,062	177,066	121,239
Income tax (benefit) expense . . . . .	(69,401)	67,641	52,149
Net income . . . . .	<u>\$ 217,463</u>	<u>\$ 109,425</u>	<u>\$ 69,090</u>
Weighted average shares outstanding:			
Basic . . . . .	66,487	63,203	56,585
Diluted . . . . .	66,706	63,420	56,656
Earnings per share:			
Basic . . . . .	\$ 3.27	\$ 1.73	\$ 1.22
Diluted . . . . .	\$ 3.26	\$ 1.73	\$ 1.22
Cash dividends declared per share . . . . .	\$ 1.86	\$ 1.73	\$ 1.38

See accompanying Notes to Consolidated Financial Statements.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
(In thousands)

	<u>Year Ended</u>		
	<u>December 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>	<u>January 2,</u> <u>2016</u>
Net income.....	\$ 217,463	\$ 109,425	\$ 69,090
Other comprehensive loss:			
Foreign currency translation adjustments.....	4,393	(8,180)	(3,737)
Amortization of unrecognized prior service cost and pension deferrals, net of tax.....	<u>(5,785)</u>	<u>1,512</u>	<u>2,075</u>
Other comprehensive loss.....	<u>(1,392)</u>	<u>(6,668)</u>	<u>(1,662)</u>
Comprehensive income.....	<u>\$ 216,071</u>	<u>\$ 102,757</u>	<u>\$ 67,428</u>

See accompanying Notes to Consolidated Financial Statements.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Stockholders' Equity**  
(In thousands, except share and per share data)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity
	Shares	Amount				
Balance at January 3, 2015	53,663,697	\$ 537	\$ 110,349	\$ (11,034)	\$ 238,143	\$ 337,995
Foreign currency translation	—	—	—	(3,737)	—	(3,737)
Change in pension benefit (net of \$1,258 of taxes)	—	—	—	2,075	—	2,075
Net income	—	—	—	—	69,090	69,090
Share-based compensation	—	—	5,817	—	—	5,817
Issuance of common stock for share-based compensation	113,047	1	(1,751)	—	—	(1,750)
Issuance of common stock	4,200,000	42	126,188	—	—	126,230
Tax benefit from issuance of common stock for share-based compensation	—	—	539	—	—	539
Dividends declared on common stock, \$1.38 per share	—	—	(78,574)	—	—	(78,574)
Balance at January 2, 2016	57,976,744	\$ 580	\$ 162,568	\$ (12,696)	\$ 307,233	\$ 457,685
Foreign currency translation	—	—	—	(8,180)	—	(8,180)
Change in pension benefit (net of \$917 of taxes)	—	—	—	1,512	—	1,512
Net income	—	—	—	—	109,425	109,425
Share-based compensation	—	—	5,798	—	—	5,798
Issuance of common stock for share-based compensation	79,570	—	(1,410)	—	—	(1,410)
Issuance of common stock	8,350,000	84	331,795	—	—	331,879
Tax benefit from issuance of common stock for share-based compensation	—	—	343	—	—	343
Dividends declared on common stock, \$1.73 per share	—	—	(111,395)	—	—	(111,395)
Balance at December 31, 2016	66,406,314	\$ 664	\$ 387,699	\$ (19,364)	\$ 416,658	\$ 785,657
Foreign currency translation	—	—	—	4,393	—	4,393
Change in pension benefit (net of \$3,777 of taxes)	—	—	—	(5,785)	—	(5,785)
Net income	—	—	—	—	217,463	217,463
Share-based compensation	—	—	4,615	—	—	4,615
Issuance of common stock for share-based compensation	92,730	1	(1,851)	—	—	(1,850)
Dividends declared on common stock, \$1.86 per share	—	—	(123,674)	—	—	(123,674)
Balance at December 30, 2017	66,499,044	\$ 665	\$ 266,789	\$ (20,756)	\$ 634,121	\$ 880,819

See accompanying Notes to Consolidated Financial Statements.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
(In thousands)

	Year Ended		
	December 30, 2017	December 31, 2016	January 2, 2016
<b>Cash flows from operating activities:</b>			
Net income	\$ 217,463	\$ 109,425	\$ 69,090
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	49,172	37,266	28,653
Amortization of deferred debt financing costs and bond discount	5,812	5,426	3,900
Deferred income taxes	(80,525)	56,190	29,152
Impairment of intangible assets	—	5,405	—
Loss on sale of assets	1,608	—	—
Write-off of property, plant, and equipment	208	337	107
Loss on disposal of inventory	3,287	791	—
Loss on extinguishment of debt	1,163	2,836	—
Share-based compensation expense	4,615	5,798	5,817
Excess tax benefits from share-based compensation	—	(343)	(539)
Changes in assets and liabilities, net of effects of businesses acquired:			
Trade accounts receivable	(18,034)	(45,763)	(16,927)
Inventories	(139,512)	2,396	33,243
Prepaid expenses and other current assets	6,596	41,929	(52,879)
Income tax receivable/payable	(9,829)	(3,658)	13,622
Other assets	(6,542)	(747)	(110)
Trade accounts payable	16,623	47,250	7,763
Accrued expenses	(17,344)	23,832	8,459
Other liabilities	3,038	1,291	(872)
Net cash provided by operating activities	<u>37,799</u>	<u>289,661</u>	<u>128,479</u>
<b>Cash flows from investing activities:</b>			
Capital expenditures	(59,802)	(42,418)	(18,574)
Proceeds from sale of assets	2,229	—	—
Payments for acquisition of businesses, net of cash acquired	(162,965)	(438,787)	(873,811)
Net cash used in investing activities	<u>(220,538)</u>	<u>(481,205)</u>	<u>(892,385)</u>
<b>Cash flows from financing activities:</b>			
Repayments of long-term debt	(233,640)	(150,000)	(18,750)
Proceeds from issuance of long-term debt	914,000	—	746,250
Repayments of borrowings under revolving credit facility	(571,000)	(99,000)	(164,000)
Borrowings under revolving credit facility	395,000	235,000	170,000
Proceeds from issuance of common stock, net	112	331,879	126,230
Dividends paid	(123,631)	(100,807)	(76,528)
Excess tax benefits from share-based compensation	—	343	539
Payments of tax withholding on behalf of employees for net share settlement of share-based compensation	(1,962)	(1,410)	(1,750)
Debt financing costs	(19,543)	—	(14,547)
Net cash provided by financing activities	<u>359,336</u>	<u>216,005</u>	<u>767,444</u>
Effect of exchange rate fluctuations on cash and cash equivalents	1,076	(874)	218
Net increase in cash and cash equivalents	<u>177,673</u>	<u>23,587</u>	<u>3,756</u>
Cash and cash equivalents at beginning of year	28,833	5,246	1,490
Cash and cash equivalents at end of year	<u>\$ 206,506</u>	<u>\$ 28,833</u>	<u>\$ 5,246</u>
<b>Supplemental disclosures of cash flow information:</b>			
Cash interest payments	\$ 75,784	\$ 69,755	\$ 47,231
Cash income tax payments	\$ 17,231	\$ 15,406	\$ 9,398
Non-cash transactions:			
Dividends declared and not yet paid	\$ 30,922	\$ 30,879	\$ 20,292
Accruals related to purchases of property, plant and equipment	\$ 330	\$ —	\$ 1,660

See accompanying Notes to Consolidated Financial Statements.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(1) Nature of Operations**

***Organization and Nature of Operations***

B&G Foods, Inc. is a holding company whose principal assets are the shares of capital stock of its subsidiaries. Unless the context requires otherwise, references in this report to “B&G Foods,” “our company,” “we,” “us” and “our” refer to B&G Foods, Inc. and its subsidiaries. Our financial statements are presented on a consolidated basis.

We operate in a single industry segment and manufacture, sell and distribute a diverse portfolio of high-quality shelf-stable and frozen foods across the United States, Canada and Puerto Rico. Our products include frozen and canned vegetables, hot cereals, fruit spreads, canned meats and beans, bagel chips, spices, seasonings, hot sauces, wine vinegar, maple syrup, molasses, salad dressings, pizza crusts, Mexican-style sauces, dry soups, taco shells and kits, salsas, pickles, peppers, tomato-based products, puffed corn and rice snacks, cookies and crackers, nut clusters and other specialty products. Our products are marketed under many recognized brands, including *Ac’cent, B&G, B&M, Back to Nature, Baker’s Joy, Bear Creek Country Kitchens, Brer Rabbit, Canoleo, Cary’s, Cream of Rice, Cream of Wheat, Devonsheer, Don Pepino, Durkee, Emeril’s, Grandma’s Molasses, Green Giant, JJ Flats, Joan of Arc, Las Palmas, Le Sueur, MacDonald’s, Mama Mary’s, Maple Grove Farms of Vermont, Molly McButter, Mrs. Dash, New York Flatbreads, New York Style, Old London, Original Tings, Ortega, Pirate’s Booty, Polaner, Red Devil, Regina, Sa-són, Sclafani, Smart Puffs, SnackWell’s, Spice Islands, Spring Tree, Sugar Twin, Tone’s, Trappey’s, TrueNorth, Underwood, Vermont Maid, Victoria, Weber and Wright’s*. We also sell and distribute *Static Guard*, a household product brand. We compete in the retail grocery, foodservice, specialty, private label, club and mass merchandiser channels of distribution. We sell and distribute our products directly and via a network of independent brokers and distributors to supermarket chains, foodservice outlets, mass merchants, warehouse clubs, non-food outlets and specialty distributors.

Sales of a number of our products tend to be seasonal and may be influenced by holidays, changes in seasons/weather or certain other annual events. In general, our sales are higher in the first and fourth quarter. We purchase most of the produce used to make our frozen and shelf-stable canned vegetables, pickles, relishes, peppers, tomatoes and other related specialty items during the months of June through October, and we generally purchase the majority of our maple syrup requirements during the months of April through August. Consequently, our liquidity needs are greatest during these periods.

***Fiscal Year***

We utilize a 52-53 week fiscal year ending on the Saturday closest to December 31. The fiscal years ended December 30, 2017 (fiscal 2017) December 31, 2016 (fiscal 2016) and January 2, 2016 (fiscal 2015) contained 52 weeks each.

***Business and Credit Concentrations***

Our exposure to credit loss in the event of non-payment of accounts receivable by customers is estimated in the amount of the allowance for doubtful accounts. We perform ongoing credit evaluations of the financial condition of our customers. Our top ten customers accounted for approximately 54.6%, 56.0% and 52.3% of consolidated net sales in fiscal 2017, 2016 and 2015, respectively. Our top ten customers accounted for approximately 49.4%, 53.4% and 53.5% of our consolidated trade accounts receivables as of the end of fiscal 2017, 2016 and 2015, respectively. Other than Wal-Mart, which accounted for 24.1%, 24.1% and 20.4% of our consolidated net sales in fiscal 2017, 2016 and 2015, respectively, no single customer accounted for more than 10.0% of consolidated net sales in fiscal 2017, 2016 or 2015. Other than Wal-Mart, which accounted for 21.5%, 21.2% and 19.3% of our consolidated trade accounts receivables as of the end of fiscal 2017, 2016 and 2015, respectively, no single customer accounted for more than 10.0% of our consolidated trade accounts receivables as of the end of fiscal 2017, 2016 and 2015. As of December 30, 2017, we do not believe we have any significant concentration of credit risk with respect to our consolidated trade accounts receivable with any single customer whose failure or nonperformance would materially affect our results other than as described above with respect to Wal-Mart.

During fiscal 2017, 2016 and 2015, our sales to foreign countries represented approximately 6.3%, 7.1% and 5.2%, respectively, of net sales. Our foreign sales are primarily to customers in Canada.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The consolidated financial statements include the accounts of B&G Foods, Inc. and its subsidiaries. All intercompany balances and transactions have been eliminated. Certain prior year amounts have been reclassified to conform to the current year's presentation.

**(b) Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires our management to make a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Some of the more significant estimates and assumptions made by management involve trade and consumer promotion expenses; allowances for excess, obsolete and unsaleable inventories; pension benefits; acquisition accounting fair value allocations; the recoverability of goodwill, other intangible assets, property, plant and equipment and deferred tax assets; the determination of the useful life of customer relationship and amortizable trademark intangibles; and the fair value of contingent consideration. Actual results could differ significantly from these estimates and assumptions.

Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances, including the current economic environment. We adjust such estimates and assumptions when facts and circumstances dictate. Volatility in the credit and equity markets can increase the uncertainty inherent in such estimates and assumptions.

**(c) Subsequent Events**

We have evaluated subsequent events for disclosure through the date of issuance of the accompanying consolidated financial statements.

**(d) Cash and Cash Equivalents**

For purposes of the consolidated statements of cash flows, all highly liquid instruments with maturities of three months or less when acquired are considered to be cash and cash equivalents.

**(e) Inventories**

Inventories are stated at the lower of cost or net realizable value and include direct material, direct labor, overhead, warehousing and product transfer costs. Cost is determined using the first-in, first-out and average cost methods. Inventories have been reduced by an allowance for excess, obsolete and unsaleable inventories. The allowance is an estimate based on our management's review of inventories on hand compared to estimated future usage and sales.

**(f) Property, Plant and Equipment**

Property, plant and equipment are stated at cost. Depreciation on plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets, 10 to 30 years for buildings and improvements, 5 to 12 years for machinery and equipment, and 2 to 5 years for office furniture and vehicles. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Expenditures for maintenance, repairs and minor replacements are charged to current operations. Expenditures for major replacements and betterments are capitalized. We capitalize interest on qualifying assets based on our effective interest rate. During fiscal 2017, 2016 and 2015, we capitalized \$1.0 million, \$0.5 million and \$0.3 million, respectively.



**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(2) Summary of Significant Accounting Policies (Continued)**

**(g) Goodwill and Other Intangible Assets**

Goodwill and unamortizable intangible assets (trademarks) are tested for impairment at least annually and whenever events or circumstances occur indicating that goodwill or unamortizable intangibles might be impaired. We perform the annual impairment tests as of the last day of each fiscal year. The annual goodwill impairment test involves a two-step process. The first step of the impairment test involves comparing our company's market capitalization with our company's carrying value, including goodwill. If the carrying value of our company exceeds our market capitalization, we perform the second step of the impairment test to determine the amount of the impairment loss. The second step of the goodwill impairment test involves comparing the implied fair value of goodwill with the carrying value and recognizing a loss for the difference.

We test our unamortizable intangibles by comparing the fair value with the carrying value and recognize a loss for the difference. We estimate the fair value of our unamortizable intangibles based on discounted cash flows that reflect certain third party market value indicators.

Calculating our fair value for these purposes requires significant estimates and assumptions by management. We completed our annual impairment tests for fiscal 2017, 2016 and 2015 with no adjustments to the carrying values of goodwill and unamortizable intangibles. Each annual test confirmed that the market capitalization and fair values of our goodwill and unamortizable intangibles, respectively, exceeded their current carrying values.

Customer relationship intangibles and amortizable trademarks are presented at cost, net of accumulated amortization, and are amortized on a straight-line basis over their estimated useful lives of 10 to 20 years.

Seed technology assets are presented at cost, net of accumulated amortization, and are amortized utilizing a declining balance approach over their estimated useful lives of 5 years. During fiscal 2017, we sold to a third-party co-packer our Le Sueur, Minnesota research center, including the seed technology assets, property, plant and equipment, which we acquired as part of the *Green Giant* acquisition, resulting in a \$1.6 million loss on sale of assets.

**(h) Deferred Debt Financing Costs**

Debt financing costs are capitalized and amortized over the term of the related debt agreements and are included as a reduction of long-term debt. Amortization of deferred debt financing costs for fiscal 2017, 2016 and 2015 was \$5.4 million, \$4.9 million and \$3.6 million, respectively.

**(i) Long-Lived Assets**

Long-lived assets, such as property, plant and equipment, and intangibles with estimated useful lives are depreciated or amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future net cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Recoverability of assets held for sale is measured by a comparison of the carrying amount of an asset or asset group to their fair value less estimated costs to sell. Estimating future cash flows and calculating the fair value of assets requires significant estimates and assumptions by management.

Assets to be disposed of are separately presented in the consolidated balance sheets and are no longer depreciated.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(2) Summary of Significant Accounting Policies (Continued)**

**(j) Accumulated Other Comprehensive Loss**

Accumulated other comprehensive loss includes foreign currency translation adjustments relating to assets and liabilities located in our foreign subsidiaries and changes in our pension benefits due to the initial adoption and ongoing application of the authoritative accounting literature relating to pensions, net of tax.

**(k) Revenue Recognition**

Revenues are recognized when products are shipped. We report all amounts billed to a customer in a sale transaction as revenue, including those amounts related to shipping and handling. Shipping and handling costs are included in cost of goods sold. Consideration from a vendor to a retailer is presumed to be a reduction to the selling prices of the vendor's products and, therefore, is characterized as a reduction of sales when recognized in the vendor's income statement. As a result, coupon incentives, slotting and promotional expenses are recorded as a reduction of sales. See(s) *Recently Issued Accounting Standards*, below, for a discussion of the newly adopted revenue recognition standard.

**(l) Selling, General and Administrative Expenses**

We promote our products with advertising, consumer incentives and trade promotions. These programs include, but are not limited to, discounts, slotting fees, coupons, rebates, in-store display incentives and volume-based incentives. Consumer incentive and trade promotion activities are recorded as a reduction to revenues based on amounts estimated as being due to customers and consumers at the end of a period. We base these estimates principally on historical utilization and redemption rates. We expense our advertising costs either in the period the advertising first takes place or as incurred. Advertising expenses were approximately \$22.7 million, \$26.0 million and \$5.7 million, for fiscal 2017, 2016 and 2015, respectively.

**(m) Pension Plans**

We have defined benefit pension plans covering approximately 40% of our employees. Our funding policy is to contribute annually the amount recommended by our actuaries. From time to time, however, we voluntarily contribute greater amounts based on pension asset performance, tax considerations and other relevant factors.

**(n) Share Based Compensation Expense**

We provide compensation benefits in the form of stock options, performance share long-term incentive awards (LTIAAs) and common stock to employees and non-employee directors. The cost of share based compensation is recorded at fair value at the date of grant and expensed in our consolidated statements of operations over the requisite service period, if any.

Performance share LTIAAs granted to our executive officers and certain other members of senior management entitle each participant to earn shares of common stock upon the attainment of certain performance goals over the applicable performance period. The recognition of compensation expense for the performance share LTIAAs is initially based on the probable outcome of the performance condition based on the fair value of the award on the date of grant and the anticipated number of shares to be awarded on a straight-line basis over the applicable performance period. The fair value of the awards on the date of grant is determined based upon the closing price of our common stock on the applicable measurement dates (i.e., the deemed grant dates for accounting purposes) reduced by the present value of expected dividends using the risk-free interest-rate as the award holders are not entitled to dividends or dividend equivalents during the vesting period. Our company's performance against the defined performance goals are re-evaluated on a quarterly basis throughout the applicable performance period and the recognition of compensation expense is adjusted for subsequent changes in the estimated or actual outcome. The cumulative effect of a change in the estimated number of shares of common stock to be issued in respect of performance share awards is recognized as an adjustment to earnings in the period of the revision.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(2) Summary of Significant Accounting Policies (Continued)**

The fair value of stock option awards is estimated on the date of grant using the Black-Scholes option pricing model and is recognized in expense over the vesting period of the options using the straight-line method. The Black-Scholes option pricing model requires various assumptions, including the expected volatility of our stock, the expected term of the option, the risk-free interest rate and the expected dividend yield. Expected volatility is based on both historical and implied volatilities of our common stock over the estimated expected term of the award. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. All stock option grants have an exercise price equal to the fair market value of our common stock on the date of grant, have a 10-year term and cliff vest three years from the date of grant.

We recognize compensation expense for only that portion of share based awards that are expected to vest. We utilize historical employee termination behavior to determine our estimated forfeiture rates. If the actual forfeitures differ from those estimated by management, adjustments to compensation expense will be made in future periods.

**(o) Income Tax Expense Estimates and Policies**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities of our company are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided when it is more likely than not that all or some portion of the deferred tax asset will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

As part of the income tax provision process of preparing our consolidated financial statements, we are required to estimate our income taxes. This process involves estimating our current tax expenses together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. We then assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe the recovery is not likely, we establish a valuation allowance. Further, to the extent that we establish a valuation allowance or increase this allowance in a financial accounting period, we include such charge in our tax provision, or reduce our tax benefits in our consolidated statements of operations. We use our judgment to determine our provision or benefit for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against our deferred tax assets.

There are various factors that may cause these tax assumptions to change in the near term, and we may have to record a valuation allowance against our deferred tax assets. We cannot predict whether future U.S. federal and state income tax laws and regulations might be passed that could have a material effect on our results of operations. See Note 10, "Income Taxes," for a discussion of the recently enacted U.S. Tax Act. We assess the impact of significant changes to the U.S. federal and state income tax laws and regulations on a regular basis and update the assumptions and estimates used to prepare our consolidated financial statements when new regulations and legislation are enacted. We recognize the benefit of an uncertain tax position that we have taken or expect to take on our income tax returns we file if it is "more likely than not" that such tax position will be sustained based on its technical merits.

**(p) Dividends**

Cash dividends, if any, are accrued as a liability on our consolidated balance sheets and recorded as a decrease to additional paid-in capital when declared.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(2) Summary of Significant Accounting Policies (Continued)**

**(q) Earnings Per Share**

Basic earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding. Diluted earnings per share is calculated by dividing net income by the weighted average number of shares of common stock outstanding plus all additional shares of common stock that would have been outstanding if potentially dilutive shares of common stock had been issued upon the exercise of stock options or in connection with performance share LTIA's that may be earned as of the beginning of the period using the treasury stock method.

	<b>Fiscal 2017</b>	<b>Fiscal 2016</b>	<b>Fiscal 2015</b>
	<b>(in thousands, except share and per share data)</b>		
Net income . . . . .	\$ 217,463	\$ 109,425	\$ 69,090
<i>Weighted average common shares outstanding:</i>			
Basic . . . . .	66,487,403	63,202,900	56,584,946
Net effect of potentially dilutive share-based compensation awards <sup>(1)</sup> . . . . .	219,060	216,892	70,927
Diluted . . . . .	<u>66,706,463</u>	<u>63,419,792</u>	<u>56,655,873</u>
<i>Earnings per share:</i>			
Basic . . . . .	\$ 3.27	\$ 1.73	\$ 1.22
Diluted . . . . .	\$ 3.26	\$ 1.73	\$ 1.22

(1) For fiscal 2017 and 2016, outstanding stock options of 348,894 and 22,692, respectively, were excluded from diluted earnings per share as their effect was antidilutive.

**(r) Newly Adopted Accounting Standards**

In March 2016, the Financial Accounting Standards Board (FASB) issued a new accounting standards update (ASU) that changes the accounting for certain aspects of share-based payments to employees. The new guidance requires that excess tax benefits (which represent the excess of actual tax benefits received at the date of vesting or settlement over the benefits recognized over the vesting period or upon issuance of share-based payments) and tax deficiencies (which represent the amount by which actual tax benefits received at the date of vesting or settlement is lower than the benefits recognized over the vesting period or upon issuance of share-based payments) be recorded in the income statement as a reduction of income taxes when the awards vest or are settled. The new guidance also requires excess tax benefits to be classified as an operating activity in the statement of cash flows rather than as a financing activity. As a result of this adoption, we recognized discrete tax benefits of \$0.8 million in the income taxes line item of our consolidated statement of operations for fiscal 2017 related to excess tax benefits upon vesting or settlement in that period. We elected to adopt the cash flow presentation of the excess tax benefits prospectively, commencing with our statement of cash flows for the first quarter of 2017, where we began classifying these benefits, along with other income tax cash flows, as an operating activity. We excluded the excess tax benefits from the assumed proceeds available to repurchase shares in the computation of our diluted earnings per share for fiscal 2017.

In November 2015, the FASB issued a new ASU that requires deferred tax assets and liabilities to be classified as noncurrent on the balance sheet. The ASU is effective beginning with the first quarter of fiscal 2017. We adopted the provisions of this ASU at the beginning of fiscal 2017 and applied the required changes in accounting principle on a retrospective basis. Accordingly, in our consolidated balance sheet as of December 31, 2016, \$7.9 million of deferred tax assets were reclassified from current assets to noncurrent assets. The update impacted presentation and disclosure only, and therefore, the adoption of this ASU did not have any impact on our results of operations or liquidity.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(2) Summary of Significant Accounting Policies (Continued)**

In July 2015, the FASB issued a new ASU that simplifies the subsequent measurement of inventories by replacing the current lower of cost or market test with a lower of cost and net realizable value test. We adopted the provisions of this ASU at the beginning of fiscal 2017. The adoption of this ASU did not have any impact on our consolidated financial position, results of operations or liquidity.

**(s) Recently Issued Accounting Standards**

In March 2017, the FASB issued a new ASU that improves the presentation of net periodic pension cost and net periodic postretirement benefit cost. The new guidance revises how employers that sponsor defined benefit pension and other postretirement plans present the net periodic benefit cost in their income statement and requires that the service cost component of net periodic benefit cost be presented in the same income statement line items as other employee compensation costs from services rendered during the period. The update is effective beginning with the first quarter of fiscal 2019. We have not yet determined the impact from adoption of the ASU on our consolidated financial statements.

In January 2017, the FASB issued an ASU that clarifies the definition of a business with the objective of adding guidance to assist companies with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The definition of a business may affect many areas of accounting including acquisitions, disposals, goodwill and consolidation. The ASU is applied on a prospective basis and is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. We adopted this standard as of the first quarter of fiscal 2018, and there was no material impact to our consolidated financial statements.

In January 2017, the FASB issued a new ASU that simplifies the subsequent measurement of goodwill, including the elimination of the second step from the goodwill impairment test. The update is effective for annual or any interim impairment tests in fiscal 2020 or later. We do not expect the adoption of this ASU to have any impact on our consolidated financial position, results of operations or liquidity.

In August 2016, the FASB issued new ASU to provide guidance on eight specific cash flow classification issues and reduce diversity in practice in how some cash receipts and cash payments are presented and classified in the statement of cash flows. The ASU is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. We will adopt this standard as of the beginning of our fiscal 2018 and we do not expect a material impact to our consolidated financial statements.

In February 2016, the FASB issued a new ASU that requires lessees to recognize lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under current guidance. The update is effective beginning with the first quarter of fiscal 2019. We have not yet determined the impact from adoption of the ASU on our consolidated financial statements.

In May 2014, the FASB issued guidance on revenue recognition, with final guidance issued in 2016. The guidance provides for a five-step model to determine the revenue to be recognized from the transfer of goods or services to customers. The guidance also requires improved disclosures to help users of the financial statements better understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. It also provides clarification for principal versus agent considerations, identifying performance obligations and the accounting of intellectual property licenses. In addition, the FASB introduced practical expedients related to disclosures of remaining performance obligations, as well as other amendments to guidance on collectability, non-cash consideration and the presentation of sales and other similar taxes.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(2) Summary of Significant Accounting Policies (Continued)**

We adopted this guidance and related amendments as of the first quarter of fiscal 2018, applying the full retrospective transition method to all contracts. We concluded that the adoption of this standard primarily affected our policies and estimation methodologies of variable consideration associated with rebates and bill-backs, product returns and cash discounts. The provisions of the new standard did not impact the timing of revenue recognition but did impact the classification of certain payments to customers, moving an immaterial amount of such payments from expense to a deduction from net sales. The below tables set forth the expected adjustments to net sales, gross profit and selling, general and administrative expenses in fiscal 2017, 2016 and 2015 as a result of the newly adopted revenue recognition standard (in thousands).

	Fiscal Year Ended 2017		
	As Reported	Impact of Adoption	As Adjusted
Net Sales	\$ 1,668,056	\$ (21,669)	\$ 1,646,387
Cost of goods sold	1,205,809	—	1,205,809
Gross profit	462,247	(21,669)	440,578
Selling, general and administrative expenses	205,234	(21,669)	183,565
Operating income	239,402	—	239,402
Net Income	\$ 217,463	\$ —	\$ 217,463

	Fiscal Year Ended 2016		
	As Reported	Impact of Adoption	As Adjusted
Net Sales	\$ 1,391,257	\$ (18,950)	\$ 1,372,307
Cost of goods sold	943,295	—	943,295
Gross profit	447,962	(18,950)	429,012
Selling, general and administrative expenses	174,759	(18,950)	155,809
Operating income	253,995	—	253,995
Net Income	\$ 109,425	\$ —	\$ 109,425

	Fiscal Year Ended 2015		
	As Reported	Impact of Adoption	As Adjusted
Net Sales	\$ 966,358	\$ (7,479)	\$ 958,879
Cost of goods sold	676,794	—	676,794
Gross profit	289,564	(7,479)	282,085
Selling, general and administrative expenses	105,939	(7,479)	98,460
Operating income	172,370	—	172,370
Net Income	\$ 69,090	\$ —	\$ 69,090

**(3) Acquisitions**

On October 2, 2017, we completed the acquisition of Back to Nature Foods Company, LLC and related entities, including the *Back to Nature* and *SnackWell's* brands, from Brynwood Partners VI L.P., Mondelēz International and certain other sellers for approximately \$162.8 million in cash. We refer to this acquisition as the “*Back to Nature* acquisition.”

On December 2, 2016, we acquired Victoria Fine Foods, LLC, and a related entity, from Huron Capital Partners and certain other sellers for a purchase price of \$71.9 million in cash. We refer to this acquisition as the “*Victoria* acquisition.”

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(3) Acquisitions (Continued)**

On November 21, 2016, we completed the acquisition of the spices & seasonings business of ACH Food Companies, Inc. for a purchase price of \$366.9 million. We refer to this acquisition as the “spices & seasonings acquisition.” In connection with the acquisition, as of December 31, 2016, we had payables related to a transition services agreement with ACH Food Companies of \$12.6 million included in accrued expenses in the accompanying consolidated balance sheets.

On November 2, 2015, we completed the acquisition of the *Green Giant* and *Le Sueur* brands from General Mills, Inc. for a purchase price of \$765 million in cash plus an inventory adjustment at closing of \$57.8 million. We refer to this acquisition as the “*Green Giant* acquisition.”

On July 10, 2015, we acquired Spartan Foods of America, Inc., and related entities, including the *Mama Mary’s* brand, from Linsalata Capital Partners and certain other sellers for a purchase price of \$51.0 million in cash. We refer to this acquisition as the “*Mama Mary’s* acquisition.”

We have accounted for each of these acquisitions using the acquisition method of accounting and, accordingly, have included the assets acquired, liabilities assumed and results of operations in our consolidated financial statements from the respective date of acquisition. The excess of the purchase price over the fair value of identifiable net assets acquired represents goodwill. Unamortizable trademarks are deemed to have an indefinite useful life and are not amortized. Customer relationship intangibles and amortizable trademarks acquired are amortized over 10 to 20 years. Goodwill and other intangible assets, except in the case of the *Mama Mary’s*, *Victoria* and *Back to Nature* acquisitions, are deductible for income tax purposes. Inventory has been recorded at estimated selling price less costs of disposal and a reasonable selling profit and the property, plant and equipment and other intangible assets (including trademarks, customer relationships and other intangibles) acquired have been recorded at fair value as determined by our management with the assistance of a third-party valuation specialist. See Note 6, “Goodwill and Other Intangible Assets.”

The following table sets forth the preliminary allocation of the *Back to Nature* acquisition purchase price to the estimated fair value of the net assets acquired at the date of acquisition. The preliminary purchase price allocation may be adjusted as a result of the finalization of our purchase price allocation procedures related to the assets acquired and liabilities assumed. We anticipate completing the purchase price allocation during the fourth quarter of fiscal 2018.

*Back To Nature* Acquisition (in thousands):

Purchase Price:	
Cash paid.....	\$ 162,848
Total .....	<u>\$ 162,848</u>
Preliminary Allocation:	
Trademarks—unamortizable intangible assets.....	\$ 109,800
Trademarks—amortizable intangible assets.....	12,800
Goodwill.....	33,532
Customer relationship intangibles—amortizable intangible assets.....	14,700
Inventory.....	6,761
Long-term deferred income tax liabilities, net.....	(10,801)
Other working capital.....	(3,944)
Total .....	<u>\$ 162,848</u>

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(3) Acquisitions (Continued)**

The following table sets forth the allocation of the *Victoria* acquisition purchase price to the estimated fair value of the net assets acquired at the date of acquisition. During the first quarter of 2017, we recorded a purchase price adjustment of \$0.1 million relating to working capital adjustments. During the fourth quarter of 2017, we recorded a purchase price allocation adjustment of \$0.4 million by increasing goodwill and deferred tax liabilities.

*Victoria* Acquisition (in thousands):

Purchase Price:	
Cash paid . . . . .	\$ 71,972
Total . . . . .	<u>\$ 71,972</u>
Allocation:	
Trademarks—unamortizable intangible assets . . . . .	45,500
Goodwill . . . . .	12,298
Property, plant and equipment . . . . .	9,298
Customer relationship intangibles—amortizable intangible assets . . . . .	6,400
Inventory . . . . .	5,729
Long-term deferred income tax liabilities, net . . . . .	(5,206)
Other working capital . . . . .	<u>(2,047)</u>
Total . . . . .	<u>\$ 71,972</u>

The following table sets forth the allocation of the spices & seasonings acquisition purchase price to the estimated fair value of the net assets acquired at the date of acquisition. During the fourth quarter of 2017, we recorded a purchase price allocation adjustment of \$0.4 million increasing goodwill and decreasing other liabilities.

Spices & Seasonings Acquisition (in thousands):

Purchase Price:	
Cash paid . . . . .	\$ 366,932
Total . . . . .	<u>\$ 366,932</u>
Allocation:	
Goodwill . . . . .	120,545
Customer relationship intangibles—amortizable intangible assets . . . . .	89,250
Trademarks—unamortizable intangible assets . . . . .	65,200
Property, plant and equipment . . . . .	62,193
Inventory . . . . .	49,571
Other liabilities . . . . .	(17,939) <sup>(1)</sup>
Other working capital . . . . .	<u>(1,888)</u>
Total . . . . .	<u>\$ 366,932</u>

(1) In connection with the spices & seasonings acquisition, we agreed to establish a defined benefit plan for certain employees transferred to B&G Foods and certain former employees of the acquired spices & seasonings business. We also agreed to assume certain liabilities relating to the underfunded status of the former plan that such employees participated in prior to the acquisition. At December 30, 2017 and December 31, 2016, we recognized \$17.9 million and \$17.5 million, respectively, in “other liabilities” in the accompanying consolidated balance sheet to reflect our obligations with respect to the underfunded status of the defined benefit plan assets and liabilities transferred to us.



**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(3) Acquisitions (Continued)**

The following table sets forth the allocation of the *Green Giant* acquisition purchase price to the estimated fair value of the net assets acquired at the date of acquisition. During the third and fourth quarters of 2016, we recorded purchase price allocation adjustments by increasing goodwill and decreasing inventory by \$7.2 million due to a change in our valuation of inventory as of the date of acquisition. During the fourth quarter of 2016, we recorded a purchase price allocation adjustment by increasing goodwill by \$3.2 million and decreasing other working capital by \$2.6 million due to a change in our estimated accrued expenses as of the date of acquisition and decreasing property, plant and equipment by \$0.6 million due to a change in our valuation of property, plant and equipment as of the date of acquisition.

*Green Giant* Acquisition (in thousands):

Purchase Price:	
Cash paid . . . . .	\$ 822,786
Total . . . . .	<u>\$ 822,786</u>
Allocation:	
Trademarks—unamortizable intangible assets . . . . .	422,000
Inventory . . . . .	232,522
Goodwill . . . . .	94,593
Property, plant and equipment . . . . .	43,641
Customer relationship intangibles—amortizable intangible assets . . . . .	38,000
Seed technology intangibles—amortizable intangible assets . . . . .	2,000
Other working capital . . . . .	(9,970)
Total . . . . .	<u>\$ 822,786</u>

The following table sets forth the allocation of the *Mama Mary's* acquisition purchase price to the estimated fair value of the net assets acquired at the date of acquisition. During the second quarter of 2016, we recorded a purchase price allocation adjustment by decreasing goodwill and increasing other working capital by \$0.6 million due to a change in our estimated accrued expenses as of the date of acquisition.

*Mama Mary's* Acquisition (in thousands):

Purchase Price:	
Cash paid . . . . .	\$ 51,025
Total . . . . .	<u>\$ 51,025</u>
Allocation:	
Trademarks—unamortizable intangible assets . . . . .	38,900
Goodwill . . . . .	17,735
Customer relationship intangibles—amortizable intangible assets . . . . .	4,800
Short-term deferred income tax assets . . . . .	2,961
Property, plant and equipment . . . . .	1,900
Long-term deferred income tax liabilities, net . . . . .	(15,252)
Other working capital . . . . .	(19)
Total . . . . .	<u>\$ 51,025</u>

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(3) Acquisitions (Continued)**

***Unaudited Pro Forma Summary of Operations***

The following pro forma summary of operations presents our operations as if the spices & seasonings and *Green Giant* acquisition had occurred as of the beginning of fiscal 2015. In addition to including the results of operations of these acquisitions, the pro forma information gives effect to the interest on additional borrowings, the amortization of trademark, customer relationship and seed technology intangibles, and the issuance of shares of common stock. On an actual basis, the spices & seasonings business and *Green Giant* contributed \$260.7 million and \$506.9 million, respectively, of our aggregate \$1,668.1 million of consolidated net sales for fiscal 2017. On an actual basis, the spices & seasonings business and *Green Giant* contributed \$28.2 million and \$506.7 million, respectively, of our aggregate \$1,391.3 million of consolidated net sales for fiscal 2016.

	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
	<u>(in thousands, except per share data)</u>	
Net sales . . . . .	\$ 1,606,162	\$ 1,653,762
Net income (loss) <sup>(1)</sup> . . . . .	\$ 129,712	\$ (54,710)
Basic earnings (loss) per share <sup>(1)</sup> . . . . .	\$ 2.01	\$ (0.93)
Diluted earnings (loss) per share <sup>(1)</sup> . . . . .	\$ 2.00	\$ (0.93)

(1) During the second quarter of 2015, General Mills recorded a \$260 million impairment charge related to the *Green Giant* brand intangible asset.

The pro forma information presented above does not purport to be indicative of the results that actually would have been attained had the spices & seasonings and *Green Giant* acquisition had occurred as of the beginning of fiscal 2015, and is not intended to be a projection of future results.

Neither the *Back to Nature*, *Victoria* nor *Mama Mary's* acquisition was material to our consolidated results of operations or financial position and, therefore, pro forma financial information is not presented.

**(4) Inventories**

Inventories consist of the following, as of the dates indicated (in thousands):

	<u>December 30, 2017</u>	<u>December 31, 2016</u>
Raw materials and packaging . . . . .	\$ 70,315	\$ 60,532
Work-in-process . . . . .	140,425	98,664
Finished goods . . . . .	291,109	197,394
Total . . . . .	<u>\$ 501,849</u>	<u>\$ 356,590</u>

**(5) Property, Plant and Equipment, net**

Property, plant and equipment, net, consists of the following as of the dates indicated (in thousands):

	<u>December 30, 2017</u>	<u>December 31, 2016</u>
Land . . . . .	\$ 11,671	\$ 11,682
Buildings and improvements . . . . .	118,534	102,043
Machinery and equipment . . . . .	285,813	263,849
Office furniture and vehicles . . . . .	40,341	22,477
Construction-in-progress . . . . .	16,497	14,767
	<u>472,856</u>	<u>414,818</u>
Less: accumulated depreciation . . . . .	<u>(200,664)</u>	<u>(169,474)</u>
Total . . . . .	<u>\$ 272,192</u>	<u>\$ 245,344</u>

Depreciation expense was \$31.6 million, \$23.5 million and \$17.4 million for fiscal 2017, 2016 and 2015, respectively.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(6) Goodwill and Other Intangible Assets**

The carrying amounts of goodwill and other intangible assets, as of the dates indicated, consist of the following (in thousands):

	December 30, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<i>Amortizable Intangible Assets</i>						
Trademarks . . . . .	\$ 19,600	\$ 2,276	\$ 17,324	\$ 6,800	\$ 1,662	\$ 5,138
Customer relationships . . . . .	344,990	97,695	247,295	330,290	80,847	249,443
Seed technology <sup>(1)</sup> . . . . .	—	—	—	2,000	900	1,100
	\$ 364,590	\$ 99,971	\$ 264,619	\$ 339,090	\$ 83,409	\$ 255,681
<i>Unamortizable Intangible Assets</i>						
Goodwill . . . . .	\$ 649,292			\$ 614,278		
Trademarks . . . . .	\$ 1,483,601			\$ 1,373,801		

Note: The increases in the carrying amounts of unamortizable intangible assets during fiscal 2017 are attributable to the *Back to Nature* acquisition and purchase accounting adjustments related to the spices & seasonings and *Victoria* acquisitions.

During fiscal 2017, 2016 and 2015, we amortized \$17.6 million, \$13.8 million and \$11.3 million, respectively, of the amortizable intangible assets. We expect to recognize \$18.4 million of amortization expense in each of the fiscal years 2018, 2019, 2020, 2021 and 2022, respectively. See Note 3, “Acquisitions.”

*Rickland Orchards.* During the second quarter of 2016, we discontinued the *Rickland Orchards* brand because there was not sufficient demand to warrant continued production. Accordingly, we wrote off the related intangible assets and recorded non-cash impairment charges to amortizable trademarks and customer relationship intangibles of \$4.5 million and \$0.9 million, respectively, which are recorded in “Impairment of intangible assets” in the accompanying consolidated statement of operations.

We also recorded a charge to cost of goods sold of approximately \$0.8 million in connection with the write-off of raw material and finished goods inventory for the *Rickland Orchards* brand.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(7) Long-Term Debt**

Long-term debt consists of the following, as of the dates indicated (in thousands):

	<u>December 30, 2017</u>	<u>December 31, 2016</u>
Revolving credit loans:		
Outstanding principal .....	\$ —	\$ 176,000
Unamortized deferred financing costs .....	(3,778)	(2,703)
Revolving credit loans, net .....	<u>(3,778)</u>	<u>173,297</u>
Tranche A term loans due 2019:		
Outstanding principal .....	—	233,640
Unamortized deferred financing costs .....	—	(1,012)
Unamortized discount .....	—	(262)
Tranche A term loans due 2019, net .....	<u>—</u>	<u>232,366</u>
Tranche B term loans due 2022:		
Outstanding principal .....	650,110	640,110
Unamortized deferred financing costs .....	(12,648)	(10,546)
Unamortized discount .....	(2,279)	(2,719)
Tranche B term loans due 2022, net .....	<u>635,183</u>	<u>626,845</u>
4.625% senior notes due 2021:		
Outstanding principal .....	700,000	700,000
Unamortized deferred financing costs .....	(5,206)	(6,725)
4.625% senior notes due 2021, net .....	<u>694,794</u>	<u>693,275</u>
5.25% senior notes due 2025:		
Outstanding principal .....	900,000	—
Unamortized deferred financing costs .....	(12,535)	—
Unamortized premium .....	3,910	—
5.25% senior notes due 2025, net .....	<u>891,375</u>	<u>—</u>
Total long-term debt, net of unamortized financing costs and discount .....	2,217,574	1,725,783
Current portion of long-term debt .....	<u>—</u>	<u>(10,515)</u>
Long-term debt, net of unamortized financing costs and discount and excluding current portion .....	<u>\$ 2,217,574</u>	<u>\$ 1,715,268</u>

*Senior Secured Credit Agreement.* In fiscal 2017, we refinanced our senior secured credit facility twice by amending and restating our senior secured credit agreement, first on March 30, 2017, and again on November 20, 2017.

The first refinancing, on March 30, 2017, reduced by 0.75% the spread over LIBOR or the applicable base rate on \$640.1 million of tranche B term loans.

On April 3, 2017, we repaid all of the outstanding borrowings and amounts due under our revolving credit facility and tranche A term loans using a portion of the net proceeds of our registered public offering of \$500.0 million aggregate principal amount of 5.25% senior notes due 2025.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(7) Long-Term Debt (Continued)**

On November 20, 2017, we again refinanced our senior secured credit facility. This second refinancing increased the principal amount of the tranche B term loans by \$10 million to \$650.1 million, reduced by 25 basis points the spread over LIBOR or the applicable base rate on the tranche B term loans and any revolving loans, increased the aggregate commitments under our revolving credit facility from \$500 million to \$700 million, and extended the maturity date applicable to our revolving credit facility from June 2019 to November 2022.

At December 30, 2017, \$650.1 million of tranche B term loans and no amount of revolving loans were outstanding under our credit agreement.

At December 30, 2017, the available borrowing capacity under our revolving credit facility, net of outstanding letters of credit of \$2.2 million, was \$697.8 million. Proceeds of the revolving credit facility may be used for general corporate purposes, including acquisitions of targets in the same or a similar line of business as our company, subject to specified criteria. We are required to pay a commitment fee of 0.50% per annum on the unused portion of the revolving credit facility. The maximum letter of credit capacity under the revolving credit facility is \$50.0 million, with a fronting fee of 0.25% per annum for all outstanding letters of credit and a letter of credit fee equal to the applicable margin for revolving loans that are Eurodollar (LIBOR) loans. The revolving credit facility matures on November 21, 2022.

The entire \$650.1 million principal amount of tranche B term loans outstanding as of December 30, 2017, are due and payable at maturity on November 2, 2022.

We may prepay the term loans or permanently reduce the revolving credit facility commitment under the credit agreement at any time without premium or penalty (other than customary “breakage” costs with respect to the early termination of LIBOR loans). Subject to certain exceptions, the credit agreement provides for mandatory prepayment upon certain asset dispositions or casualty events and issuances of indebtedness.

Interest under the revolving credit facility, including any outstanding letters of credit is determined based on alternative rates that we may choose in accordance with the credit agreement, including a base rate per annum plus an applicable margin ranging from 0.25% to 0.75%, and LIBOR plus an applicable margin ranging from 1.25% to 1.75%, in each case depending on our consolidated leverage ratio.

Interest under the tranche B term loan facility is determined based on alternative rates that we may choose in accordance with the credit agreement, including a base rate per annum plus an applicable margin of 1.00%, and LIBOR plus an applicable margin of 2.00%. At December 30, 2017, the tranche B term loan interest rate was approximately 3.569%.

Our obligations under the credit agreement are jointly and severally and fully and unconditionally guaranteed on a senior basis by all of our existing and certain future domestic subsidiaries. The credit agreement is secured by substantially all of our and our domestic subsidiaries’ assets except our and our domestic subsidiaries’ real property. The credit agreement contains customary restrictive covenants, subject to certain permitted amounts and exceptions, including covenants limiting our ability to incur additional indebtedness, pay dividends and make other restricted payments, repurchase shares of our outstanding stock and create certain liens.

The credit agreement also contains certain financial maintenance covenants, which, among other things, specify a maximum consolidated leverage ratio and a minimum interest coverage ratio, each ratio as defined in the credit agreement. Our consolidated leverage ratio (defined as the ratio of our consolidated net debt, as of the last day of any period of four consecutive fiscal quarters to our adjusted EBITDA for such period) may not exceed 7.00 to 1.00. We are also required to maintain a consolidated interest coverage ratio of at least 1.75 to 1.00 as of the last day of any period of four consecutive fiscal quarters. As of December 30, 2017, we were in compliance with all of the covenants, including the financial covenants, in the credit agreement.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(7) Long-Term Debt (Continued)**

The credit agreement also provides for an incremental term loan and revolving loan facility, pursuant to which we may request that the lenders under the credit agreement, and potentially other lenders, provide unlimited additional amounts of term loans or revolving loans or both on terms substantially consistent with those provided under the credit agreement. Among other things, the utilization of the incremental facility is conditioned on our ability to meet a maximum senior secured leverage ratio of 4.00 to 1.00, and a sufficient number of lenders or new lenders agreeing to participate in the facility.

During the first quarter of 2018, we made an optional prepayment of \$50.0 million aggregate principal amount of our tranche B term loans. See Note 19, "Subsequent Event."

*4.625% Senior Notes due 2021.* On June 4, 2013, we issued \$700.0 million aggregate principal amount of 4.625% senior notes due 2021 at a price to the public of 100% of their face value.

Interest on the 4.625% senior notes is payable on June 1 and December 1 of each year. The 4.625% senior notes will mature on June 1, 2021, unless earlier retired or redeemed. We may redeem some or all of the 4.625% senior notes at a redemption price of 103.469% beginning June 1, 2016 and thereafter at prices declining annually to 100% on or after June 1, 2019, in each case plus accrued and unpaid interest to the date of redemption. In addition, if we undergo a change of control or upon certain asset sales, we may be required to offer to repurchase the 4.625% senior notes at the repurchase price set forth in the indenture plus accrued and unpaid interest to the date of repurchase.

We may also, from time to time, seek to retire the 4.625% senior notes through cash repurchases of the 4.625% senior notes and/or exchanges of the 4.625% senior notes for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Our obligations under the 4.625% senior notes are jointly and severally and fully and unconditionally guaranteed on a senior basis by all of our existing and certain future domestic subsidiaries. The 4.625% senior notes and the subsidiary guarantees are our and the guarantors' general unsecured obligations and are effectively junior in right of payment to all of our and the guarantors' secured indebtedness and to all existing and future indebtedness and other liabilities of our non-guarantor subsidiaries; are *pari passu* in right of payment to all of our and the guarantors' existing and future unsecured senior debt; and are senior in right of payment to all of our and the guarantors' future subordinated debt. Our foreign subsidiaries are not guarantors, and any future foreign or partially owned domestic subsidiaries will not be guarantors, of the 4.625% senior notes.

The indenture governing the 4.625% senior notes contains covenants with respect to us and the guarantors and restricts the incurrence of additional indebtedness and the issuance of capital stock; the payment of dividends or distributions on, and redemption of, capital stock; a number of other restricted payments, including certain investments; creation of specified liens, certain sale-leaseback transactions and sales of certain specified assets; fundamental changes, including consolidation, mergers and transfers of all or substantially all of our assets; and specified transactions with affiliates. Each of the covenants is subject to a number of important exceptions and qualifications. As of December 30, 2017, we were in compliance with all of the covenants in the indenture governing the 4.625% senior notes.

*5.25% Senior Notes due 2025.* On April 3, 2017, we issued \$500.0 million aggregate principal amount of 5.25% senior notes due 2025 at a price to the public of 100% of their face value. On November 20, 2017, we issued an additional \$400.0 million aggregate principal amount of 5.25% senior notes due 2025 at a price to the public 101% of their face value plus accrued interest from October 1, 2017, which equates to a yield to worst of 5.03%. The notes issued in November were issued as additional notes under the same indenture as our 5.25% senior notes due 2025 that were issued in April, and, as such, form a single series and trade interchangeably with the previously issued 5.25% senior notes.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(7) Long-Term Debt (Continued)**

We used the net proceeds of the April offering to repay all of the outstanding borrowings and amounts due under our revolving credit facility and tranche A term loans, and to pay related fees and expenses. We used the net proceeds of the November offering to repay all of the then outstanding borrowings and amounts due under our revolving credit facility and to pay related fees and expenses. We have used a portion of, and intend to use the remaining portion of, the net proceeds of the April and November offerings for general corporate purposes, which have included and could include, among other things, repayment of other long term debt or possible acquisitions.

Interest on the 5.25% senior notes is payable on April 1 and October 1 of each year, commencing October 1, 2017. The 5.25% senior notes will mature on April 1, 2025, unless earlier retired or redeemed. On or after April 1, 2020, we may redeem some or all of the 5.25% senior notes at a redemption price of 103.9375% beginning April 1, 2020 and thereafter at prices declining annually to 100% on or after April 1, 2023, in each case plus accrued and unpaid interest to the date of redemption. In addition, if we undergo a change of control or upon certain asset sales, we may be required to offer to repurchase the 5.25% senior notes at the repurchase price set forth in the indenture plus accrued and unpaid interest to the date of repurchase.

We may also, from time to time, seek to retire the 5.25% senior notes through cash repurchases of the 5.25% senior notes and/or exchanges of the 5.25% senior notes for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Our obligations under the 5.25% senior notes are jointly and severally and fully and unconditionally guaranteed on a senior basis by all of our existing and certain future domestic subsidiaries. The 5.25% senior notes and the subsidiary guarantees are our and the guarantors' general unsecured obligations and are effectively junior in right of payment to all of our and the guarantors' secured indebtedness and to all existing and future indebtedness and other liabilities of our non-guarantor subsidiaries; are pari passu in right of payment to all of our and the guarantors' existing and future unsecured senior debt; and are senior in right of payment to all of our and the guarantors' future subordinated debt. Our foreign subsidiaries are not guarantors, and any future foreign or partially owned domestic subsidiaries will not be guarantors, of the 5.25% senior notes.

The indenture governing the 5.25% senior notes contains covenants with respect to us and the guarantors and restricts the incurrence of additional indebtedness and the issuance of capital stock; the payment of dividends or distributions on, and redemption of, capital stock; a number of other restricted payments, including certain investments; creation of specified liens, certain sale-leaseback transactions and sales of certain specified assets; fundamental changes, including consolidation, mergers and transfers of all or substantially all of our assets; and specified transactions with affiliates. Each of the covenants is subject to a number of important exceptions and qualifications. As of December 30, 2017, we were in compliance with all of the covenants in the indenture governing the 5.25% senior notes.

*Subsidiary Guarantees.* We have no assets or operations independent of our direct and indirect subsidiaries. All of our present domestic subsidiaries jointly and severally and fully and unconditionally guarantee our long-term debt. There are no significant restrictions on our ability and the ability of our subsidiaries to obtain funds from our respective subsidiaries by dividend or loan. See Note 18, "Guarantor and Non-Guarantor Financial Information."

*Deferred Debt Financing Costs.* During fiscal 2017, we wrote off and expensed \$0.9 million of debt financing costs in connection with the repayment of all outstanding borrowings under the tranche A term loans and less than \$0.1 million in connection with the refinancing of our tranche B term loans. During fiscal 2016, we wrote-off and expensed \$2.2 million of debt financing costs in connection with the repayment of \$40.1 million aggregate principal amount of our tranche A term loans and \$109.9 million aggregate principal amount of our tranche B term loans. During fiscal 2015, we capitalized \$14.5 million of debt financing costs relating to the tranche B term loans, which are being amortized over the seven year scheduled term of the tranche B term loans.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(7) Long-Term Debt (Continued)**

*Loss on Extinguishment of Debt.* Loss on extinguishment of debt for the fiscal year 2017 includes the write-off of deferred debt financing costs and unamortized discount of \$0.9 million and \$0.3 million, respectively, relating to the repayment of all outstanding borrowings under the tranche A term loans. Loss on extinguishment of debt for fiscal 2016 includes the write-off of deferred debt financing costs and unamortized discount of \$2.2 million and \$0.6 million, respectively, relating to the repayment of \$40.1 million aggregate principal amount of our tranche A term loans and \$109.9 million aggregate principal amount of our tranche B term loans.

*Contractual Maturities.* As of December 30, 2017, the aggregate contractual maturities of long-term debt are as follows (in thousands):

<u>Fiscal Year:</u>	
2018 .....	\$ —
2019 .....	—
2020 .....	—
2021 .....	700,000
2022 .....	650,110
Thereafter .....	900,000
Total .....	<u>\$ 2,250,110</u>

*Accrued Interest.* At December 30, 2017 and December 31, 2016, accrued interest of \$14.6 million and \$5.0 million, respectively, is included in accrued expenses in the accompanying consolidated balance sheets.

**(8) Fair Value Measurements**

The authoritative accounting literature relating to fair value measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The accounting literature outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. Under generally accepted accounting principles, certain assets and liabilities must be measured at fair value, and the accounting literature details the disclosures that are required for items measured at fair value.

Financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy under the accounting literature. The three levels are as follows:

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than Level 1 quoted prices, such as quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value driver is observable for the asset or liability, either directly or indirectly.

Level 3—Unobservable inputs that reflect our assumptions about the assumptions that market participants would use in pricing the asset or liability.

Cash and cash equivalents, trade accounts receivable, income tax receivable, trade accounts payable, accrued expenses, income tax payable and dividends payable are reflected in the consolidated balance sheets at carrying value, which approximates fair value due to the short-term nature of these instruments.



**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(8) Fair Value Measurements (Continued)**

The carrying values and fair values of our revolving credit loans, term loans, 4.625% senior notes and 5.25% senior notes as of December 30, 2017 and December 31, 2016 are as follows (in thousands):

	<u>December 30, 2017</u>		<u>December 31, 2016</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Revolving credit loans . . . . .	—	—	176,000	176,000 <sup>(1)</sup>
Tranche A term loans due 2019 . . . .	—	—	233,378 <sup>(2)</sup>	232,795 <sup>(1)</sup>
Tranche B term loans due 2022 . . . .	647,831 <sup>(3)</sup>	652,689 <sup>(1)</sup>	637,391 <sup>(3)</sup>	645,358 <sup>(1)</sup>
4.625% senior notes due 2021 . . . . .	700,000	710,500 <sup>(5)</sup>	700,000	714,000 <sup>(5)</sup>
5.25% senior notes due 2025 . . . . .	903,910 <sup>(4)</sup>	919,729 <sup>(5)</sup>	—	—

- (1) Fair values are estimated based on Level 2 inputs, which were quoted prices for identical or similar instruments in markets that are not active.
- (2) The carrying values of the tranche A term loans are net of discount. On April 3, 2017, we repaid all of the outstanding borrowings and amounts due under our tranche A term loans. At December 31, 2016, the face amounts of the tranche A term loans were \$233.6 million.
- (3) The carrying values of the tranche B term loans are net of discount. At December 30, 2017 and December 31, 2016, the face amounts of the tranche B term loans were \$650.1 million and \$640.1 million, respectively.
- (4) The carrying values of the 5.25% senior notes due 2025 include a premium. At December 30, 2017 the face amount of the 5.25% senior note due 2025 was \$900.0 million.
- (5) Fair values are estimated based on quoted market prices.

There was no Level 3 activity during fiscal 2017, 2016 or 2015.

**(9) Accumulated Other Comprehensive Loss**

The reclassifications from accumulated other comprehensive loss (AOCL) for fiscal 2017, 2016 and 2015 are as follows (in thousands):

<u>Details about AOCL Components</u>	<u>Amount Reclassified From AOCL</u>			<u>Affected Line Item in the Statement Where Net Income (loss) is Presented</u>
	<u>December 30, 2017</u>	<u>December 31, 2016</u>	<u>January 2, 2016</u>	
<b>Defined benefit pension plan items</b>				
Amortization of unrecognized prior service cost . . .	\$ 35	\$ 44	\$ 44	See (1) below
Amortization of unrecognized loss . . . . .	517	454	803	See (1) below
	552	498	847	Total before tax
	(218)	(188)	(320)	Income tax expense
<b>Total reclassification . . . . .</b>	<u>\$ 334</u>	<u>\$ 310</u>	<u>\$ 527</u>	Net of tax

- (1) These items are included in the computation of net periodic pension cost. See Note 12, "Pension Benefits," for additional information.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(9) Accumulated Other Comprehensive Loss (Continued)**

Changes in AOCL for fiscal 2017, 2016 and 2015 are as follows (in thousands):

	<b>Defined Benefit Pension Plan Items</b>	<b>Foreign Currency Translation Adjustments</b>	<b>Total</b>
Balance at January 3, 2015	\$ (10,787)	(247)	(11,034)
Other comprehensive income (loss) before reclassifications	1,548	(3,737)	(2,189)
Amounts reclassified from AOCL	527	—	527
Net current period other comprehensive income (loss)	2,075	(3,737)	(1,662)
Balance at January 2, 2016	(8,712)	(3,984)	(12,696)
Other comprehensive income (loss) before reclassifications	1,202	(8,180)	(6,978)
Amounts reclassified from AOCL	310	—	310
Net current period other comprehensive income (loss)	1,512	(8,180)	(6,668)
Balance at December 31, 2016	(7,200)	(12,164)	(19,364)
Other comprehensive income (loss) before reclassifications	(6,119)	4,393	(1,726)
Amounts reclassified from AOCL	334	—	334
Net current period other comprehensive income (loss)	(5,785)	4,393	(1,392)
Balance at December 30, 2017	<u>\$ (12,985)</u>	<u>\$ (7,771)</u>	<u>\$ (20,756)</u>

**(10) Income Taxes**

The components of income before income tax expense consist of the following (in thousands):

	<b>Fiscal 2017</b>	<b>Fiscal 2016</b>	<b>Fiscal 2015</b>
U.S.	\$ 136,015	\$ 150,266	\$ 120,168
Foreign	12,047	26,800	1,071
Total	<u>\$ 148,062</u>	<u>\$ 177,066</u>	<u>\$ 121,239</u>

Income tax (benefit) expense consists of the following (in thousands):

	<b>Fiscal 2017</b>	<b>Fiscal 2016</b>	<b>Fiscal 2015</b>
Current:			
Federal	\$ 3,977	\$ 1,993	\$ 19,534
State	2,584	1,348	3,205
Foreign	4,563	8,110	258
Subtotal	11,124	11,451	22,997
Deferred:			
Federal	(88,716)	50,587	20,729
State	10,401	6,229	8,725
Foreign	(2,210)	(626)	(302)
Subtotal	(80,525)	56,190	29,152
Total	<u>\$ (69,401)</u>	<u>\$ 67,641</u>	<u>\$ 52,149</u>

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(10) Income Taxes (Continued)**

Income tax expense differs from the expected income tax expense (computed by applying the U.S. federal income tax rate of 35% for fiscal years 2017, 2016 and 2015 to income before income tax expense) as a result of the following:

	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
Expected tax expense.....	35.0 %	35.0 %	35.0 %
Increase (decrease):			
State income taxes, net of federal income tax benefit .....	4.4	2.9	3.0
Impact on deferred taxes from changes in state tax rates . . .	3.9	1.0	5.9
Foreign income taxes .....	2.3	2.8	—
Impact on deferred taxes from U.S. Tax Act .....	(90.0)	—	—
Permanent differences.....	(0.4)	(0.1)	(0.7)
Foreign tax credit .....	(1.6)	(3.1)	(0.2)
Other .....	(0.5)	(0.3)	—
Total.....	<u>(46.9)%</u>	<u>38.2 %</u>	<u>43.0 %</u>

In the fourth quarter of 2017, as a result of the U.S. Tax Act, we remeasured our U.S. deferred tax assets and liabilities at the lower U.S. corporate income tax rate, which resulted in a discrete tax benefit of approximately \$133.3 million. In fiscal 2017, 2016 and 2015, changes in state apportionments or state tax laws impacted our blended state rate, resulting in a state tax expense in fiscal 2017, fiscal 2016 and fiscal 2015 of \$5.8 million, \$1.8 million and \$7.2 million, respectively.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below (in thousands):

	<u>December 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Deferred tax assets:		
Accounts receivable, principally due to allowance .....	\$ 37	\$ 67
Inventories, principally due to additional costs capitalized for tax purposes .....	2,695	3,097
Accruals and other liabilities.....	6,806	4,499
Net operating loss and tax credit carry forwards .....	4,462	9,516
Total gross deferred tax assets .....	<u>14,000</u>	<u>17,179</u>
Deferred tax liabilities:		
Plant and equipment.....	(16,224)	(20,573)
Goodwill and other intangible assets .....	(222,851)	(303,015)
Prepaid expenses and other investments .....	(8,081)	(1,169)
Total gross deferred tax liabilities .....	<u>(247,156)</u>	<u>(324,757)</u>
Net deferred tax liability.....	<u>\$ (233,156)</u>	<u>\$ (307,578)</u>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income and reversal of deferred tax liabilities over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that we will realize the benefits of these deductible differences, at December 30, 2017. The amount of the deferred tax assets considered realizable, however, could be reduced in the near term if estimates of future taxable income during future periods are reduced. The valuation allowance at December 30, 2017 and December 31, 2016 was \$0.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(10) Income Taxes (Continued)**

At December 30, 2017 we had intangibles of \$1,265.3 million for tax purposes, which are amortizable through 2032.

We operate in multiple taxing jurisdictions within the United States, Canada and Mexico and from time to time face audits from various tax authorities regarding the deductibility of certain expenses, state income tax nexus, intercompany transactions, transfer pricing and other matters. In August 2016, our company received notice that the IRS intended to conduct an audit of our 2014 tax year. During the third and fourth quarter of 2016, we provided documents and information to the IRS in response to its questions. During 2017 we closed this audit with no changes. Although we do not believe that we are otherwise currently under examination in any of our major tax jurisdictions, we remain subject to examination in all of our tax jurisdictions until the applicable statutes of limitations expire. As of December 30, 2017, a summary of the tax years that remain subject to examination in our major tax jurisdictions are:

United States—Federal . . . . .	2014 and forward
United States—States . . . . .	2013 and forward
Canada . . . . .	2013 and forward
Mexico . . . . .	2015 and forward

As of December 30, 2017, we do not have any reserves for uncertain tax positions. Our policy is to classify interest and penalties that result from any income tax uncertainties as income tax expense.

*U.S. Tax Act.* On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act, which we refer to as the “U.S. Tax Act.” The U.S. Tax Act provides for significant changes in the U.S. Internal Revenue Code of 1986, as amended. The U.S. Tax Act contains provisions with separate effective dates but is generally effective for taxable years beginning after December 31, 2017.

Beginning on January 1, 2018, the U.S. Tax Act lowers the U.S. corporate income tax rate from 35% to 21% on our U.S. earnings from that date and beyond. The revaluation of our U.S. deferred tax assets and liabilities to the 21% corporate tax rate reduced our net U.S. deferred income tax liability by approximately \$133.3 million and has been reflected as a reduction in our income tax benefit in our results for the fourth quarter ended December 30, 2017. This tax benefit was partially offset by an increase in our blended state rate of approximately \$5.8 million and a repatriation expense of \$0.9 million.

The U.S. Tax Act also limits the deduction for net interest expense incurred by a corporate taxpayer to 30% of the taxpayer’s adjusted taxable income. We are currently assessing the impact this limitation will have on us.

The Securities and Exchange Commission issued guidance on December 23, 2017 providing a one-year measurement period from a registrant’s reporting period that includes the U.S. Tax Act’s enactment date to allow the registrant sufficient time to obtain, prepare and analyze information to complete the accounting required under ASC 740. As of December 30, 2017, we have recorded all known and estimable impacts of the U.S. Tax Act that are effective for fiscal 2017. Future adjustments to the provisional numbers will be recorded as discrete adjustments to income tax expense in the period in which those adjustments become estimable and/or are finalized.

The ultimate impact of the U.S. Tax Act on our reported results in fiscal 2018 may differ from the estimates provided herein, possibly materially, due to, among other things, changes in interpretations and assumptions we have made, guidance that may be issued, and other actions we may take as a result of the U.S. Tax Act different from that currently contemplated.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(11) Capital Stock**

*Voting Rights.* The holders of our common stock are entitled to one vote per share with respect to each matter on which the holders of our common stock are entitled to vote. The holders of our common stock are not entitled to cumulate their votes in the election of our directors.

*Dividends.* The holders of our common stock are entitled to receive dividends, if any, as they may be lawfully declared from time to time by our board of directors, subject to any preferential rights of holders of any outstanding shares of preferred stock. In the event of any liquidation, dissolution or winding up of our company, common stockholders are entitled to share ratably in our assets available for distribution to the stockholders, subject to the prior rights of holders of any outstanding preferred stock. See Note 17, “Quarterly Financial Data (unaudited),” for dividends declared for each quarter of fiscal 2017 and 2016.

*Additional Issuance of Our Authorized Common Stock and Preferred Stock.* Additional shares of our authorized common stock and preferred stock may be issued, as determined by our board of directors from time to time, without approval of holders of our common stock, except as may be required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Our board of directors has the authority by resolution to determine and fix, with respect to each series of preferred stock prior to the issuance of any shares of the series to which such resolution relates, the designations, powers, preferences and rights of the shares of preferred stock of such series and any qualifications, limitations or restrictions thereof.

*Stock Repurchases.* We did not repurchase any shares of common stock during fiscal 2017, 2016 or 2015.

*August 2016 Common Stock Offering.* On August 12, 2016, we completed an underwritten public offering of 3,750,000 shares of our common stock at a price to the public of \$49.00 per share. The proceeds of the offering were \$179.9 million, after deducting underwriting discounts and commissions and other offering expenses. The offering was made by means of a prospectus and related prospectus supplement included as part of a new shelf registration statement filed with the SEC. We used the net proceeds of the offering to fund a portion of the purchase price for the spices & seasonings acquisition. See Note 3, “Acquisitions.”

*March 2016 Common Stock Offering.* On March 15, 2016, we completed an underwritten public offering of 4,600,000 shares of our common stock at a price to the public of \$33.55 per share. The proceeds of the offering were \$152.0 million, after deducting underwriting discounts and commissions and other offering expenses. The offering was made by means of a prospectus and related prospectus supplement included as part of an effective shelf registration statement previously filed with the SEC. We used the net proceeds of the offering to repay a portion of our long-term debt. See Note 7, “Long-Term Debt.”

*May 2015 Common Stock Offering.* On May 4, 2015, we completed an underwritten public offering of 4,200,000 shares of our common stock at a price to the public of \$30.60 per share. The proceeds of the offering were approximately \$126.2 million, after deducting underwriting discounts and commissions and other offering expenses. The offering was made by means of a prospectus and related prospectus supplement included as part of an effective shelf registration statement previously filed with the SEC. We used the net proceeds of the offering to repay a portion of our long-term debt, to pay the purchase price and related transaction costs for the *Mama Mary’s* acquisition and for general corporate purposes. See Note 3, “Acquisitions.”

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(12) Pension Benefits**

As of December 30, 2017, we had four defined benefit pension plans covering approximately 40% of our employees. The benefits are based on years of service and the employee's compensation, as defined.

The following table sets forth our defined benefit pension plans' benefit obligation, fair value of plan assets and funded status recognized in the consolidated balance sheets. We used December 30, 2017 and December 31, 2016 measurement dates for fiscal 2017 and 2016, respectively, to calculate end of year benefit obligations, fair value of plan assets and annual net periodic benefit cost (in thousands):

	<u>December 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
<b>Change in projected benefit obligation:</b>		
Projected benefit obligation at beginning of year . . . . .	\$ 70,425	\$ 66,384
Projected benefit obligation acquired <sup>(1)</sup> . . . . .	50,939	—
Actuarial (gain) loss . . . . .	14,219	(249)
Service cost . . . . .	6,334	3,325
Interest cost . . . . .	4,998	2,717
Benefits paid . . . . .	(2,943)	(1,752)
Curtailments . . . . .	—	—
Projected benefit obligation at end of year . . . . .	<u>143,972</u>	<u>70,425</u>
<b>Change in plan assets:</b>		
Fair value of plan assets at beginning of year . . . . .	74,397	66,534
Fair value of plan assets acquired <sup>(1)</sup> . . . . .	33,000	—
Actual gain on plan assets . . . . .	11,148	6,115
Employer contributions . . . . .	8,650	3,500
Benefits paid . . . . .	(2,943)	(1,752)
Fair value of plan assets at end of year . . . . .	<u>124,252</u>	<u>74,397</u>
<b>Net amount recognized:</b>		
Other assets . . . . .	\$ 1,135	\$ 3,972
Other long-term liabilities . . . . .	(20,857)	—
Funded status at the end of the year . . . . .	<u>\$ (19,722)</u>	<u>\$ 3,972</u>
<b>Amount recognized in accumulated other comprehensive loss consists of:</b>		
Prior service cost . . . . .	\$ (2)	\$ (37)
Actuarial loss . . . . .	(20,799)	(11,202)
Deferred taxes . . . . .	7,816	4,039
Accumulated other comprehensive loss . . . . .	<u>\$ (12,985)</u>	<u>\$ (7,200)</u>

(1) Relates to the spices & seasonings acquisition, discussed below in this Note 12.

The accumulated benefit obligations of these plans were \$134.4 million and \$64.0 million at December 30, 2017 and December 31, 2016, respectively. The following information is presented for those plans with an accumulated benefit obligation in excess of plan assets (in thousands):

	<u>December 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Accumulated benefit obligation . . . . .	\$ 59,010	\$ —
Fair value of plan assets . . . . .	\$ 39,956	\$ —

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(12) Pension Benefits (Continued)**

The amounts in accumulated other comprehensive loss that are expected to be recognized as components of net periodic benefit cost in fiscal 2018 are as follows (in thousands):

Prior service cost.....	\$ 2
Actuarial loss.....	591
	<u>\$ 593</u>

	<u>December 30, 2017</u>	<u>December 31, 2016</u>
Weighted-average assumptions:		
Discount rate .....	3.45 -3.56 %	4.039 %
Rate of compensation increase.....	3.00 %	3.00 %
Expected long-term rate of return .....	6.50 %	6.50 %

The discount rate used to determine year-end fiscal 2017 and fiscal 2016 pension benefit obligations was derived by matching the plans' expected future cash flows to the corresponding yields from the Citigroup Pension Discount Curve. This yield curve has been constructed to represent the available yields on high-quality fixed-income investments across a broad range of future maturities.

The overall expected long-term rate of return on plan assets assumption is based upon a building-block method, whereby the expected rate of return on each asset class is broken down into the following components: (1) inflation; (2) the real risk-free rate of return (i.e., the long-term estimate of future returns on default-free U.S. government securities); and (3) the risk premium for each asset class (i.e., the expected return in excess of the risk-free rate).

All three components are based primarily on historical data, with modest adjustments to take into account additional relevant information that is currently available. For the inflation and risk-free return components, the most significant additional information is that provided by the market for nominal and inflation-indexed U.S. Treasury securities. That market provides implied forecasts of both the inflation rate and risk-free rate for the period over which currently available securities mature. The historical data on risk premiums for each asset class is adjusted to reflect any systemic changes that have occurred in the relevant markets; e.g., the higher current valuations for equities, as a multiple of earnings, relative to the longer-term average for such valuations.

Net periodic pension cost includes the following components (in thousands):

	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
Service cost—benefits earned during the period .....	\$ 6,334	\$ 3,325	\$ 3,909
Interest cost on projected benefit obligation .....	4,998	2,717	2,577
Expected return on plan assets .....	(7,041)	(4,434)	(4,214)
Amortization of unrecognized prior service cost.....	35	44	44
Amortization of unrecognized loss .....	517	454	803
Net periodic pension cost .....	<u>\$ 4,843</u>	<u>\$ 2,106</u>	<u>\$ 3,119</u>

The asset allocation for our pension plans at the end of fiscal 2017 and fiscal 2016, and the target allocation for fiscal 2016, by asset category, follows.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(12) Pension Benefits (Continued)**

Our pension plan assets are managed by outside investment managers; assets are rebalanced at the end of each quarter. Our investment strategy with respect to pension assets is to maximize return while protecting principal. The investment manager has the flexibility to adjust the asset allocation and move funds to the asset class that offers the most opportunity for investment returns.

<u>Asset Category</u>	<u>Target Allocation</u>	<u>Percentage of Plan Assets at Year End</u>	
		<u>December 30, 2017</u>	<u>December 31, 2016</u>
Equity securities . . . . .	75 %	68 %	69 %
Fixed income securities . . . . .	25 %	28 %	27 %
Other . . . . .	—	4 %	4 %
Total . . . . .	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

The general investment objective of each of the pension plans is to grow the plan assets in relation to the plan liabilities while prudently managing the risk of a decrease in the plan's assets relative to those liabilities. To meet this objective, our management has adopted the above target allocations that it reconsiders from time to time as circumstances change. The actual plan asset allocations may be within a range around these targets. The actual asset allocations are reviewed and rebalanced on a periodic basis.

The fair values of our pension plan assets at December 30, 2017 and December 31, 2016, utilizing the fair value hierarchy discussed in Note 8, "Fair Value Measurements" follow (in thousands):

<u>Asset Category</u>	<u>December 30, 2017</u>		<u>December 31, 2016</u>	
	<u>Level 1</u>	<u>Levels 2 &amp; 3</u>	<u>Level 1</u>	<u>Levels 2 &amp; 3</u>
Cash . . . . .	\$ 5,655	\$ —	\$ 3,286	\$ —
Equity securities:				
U.S. mutual funds . . . . .	52,058	—	26,179	—
Foreign mutual funds . . . . .	9,143	—	1,390	—
U.S. common stocks . . . . .	10,465	—	12,582	—
Foreign common stocks . . . . .	12,481	—	10,585	—
Fixed income securities:				
U.S. mutual funds . . . . .	34,450	—	20,375	—
Total . . . . .	<u>\$ 124,252</u>	<u>\$ —</u>	<u>\$ 74,397</u>	<u>\$ —</u>

The investment portfolio contains a diversified blend of common stocks, bonds, cash equivalents and other investments, which may reflect varying rates of return. The investments are further diversified within each asset classification. The portfolio diversification provides protection against a single security or class of securities having a disproportionate impact on aggregate performance. Of the \$10.5 million of U.S. common stocks in the investment portfolio at the end of fiscal 2017, \$5.8 million was invested in B&G Foods' common stock. Of the \$12.6 million of U.S. common stocks in the investment portfolio at the end of fiscal 2016, \$7.2 million was invested in B&G Foods' common stock.



**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(12) Pension Benefits (Continued)**

Information about the expected cash flows for the pension plan follows (in thousands):

	<u>Pension Payments</u>
Benefit payments:	
2018.....	\$ 3,311
2019.....	3,802
2020.....	4,185
2021.....	4,672
2022.....	5,220
2023 to 2027.....	33,401

We currently anticipate making contributions of approximately \$1.1 million to our pension plans in fiscal 2018.

We also sponsor defined contribution plans covering substantially all of our employees. Employees may contribute to these plans and these contributions are matched by us at varying amounts. Contributions for the matching component of these plans amounted to \$1.6 million for fiscal 2017, \$1.1 million for fiscal 2016 and \$1.0 million for fiscal 2015.

*Multi-Employer Defined Benefit Pension Plan.* We also contribute to the Bakery and Confectionery Union and Industry International Pension Fund (EIN 52-6118572, Plan No. 001), a multi-employer defined benefit pension plan, sponsored by the Bakery, Confectionery, Tobacco Workers and Grain Millers International Union (BCTGM). The plan provides multiple plan benefits with corresponding contribution rates that are collectively bargained between participating employers and their affiliated BCTGM local unions.

We were notified that for the plan year beginning January 1, 2012, the plan was in critical status and classified in the Red Zone. As of the date of the accompanying audited consolidated financial statements, the plan remains in critical status. The law requires that all contributing employers pay to the plan a surcharge to help correct the plan's financial situation. The amount of the surcharge is equal to a percentage of the amount an employer is otherwise required to contribute to the plan under the applicable collective bargaining agreement. During the second quarter of 2015, we agreed to a collective bargaining agreement that, among other things, implements a rehabilitation plan. As a result, our contributions to the plan are expected to increase by at least 5.0% per year.

B&G Foods made contributions to the plan of \$0.9 million, \$0.8 million and \$0.8 million, in fiscal 2017, 2016 and 2015, respectively. In each of fiscal 2017, 2016 and 2015, we paid less than \$0.1 million in surcharges and expect to pay surcharges of less than \$0.1 million in fiscal 2018 assuming consistent hours are worked. These contributions represented less than five percent of total contributions made to the plan.

*Spices & Seasonings Acquisition.* In connection with the spices & seasonings acquisition, we agreed to and did establish a defined benefit plan for certain employees transferred to us and certain former employees of the acquired spices & seasonings business. We also agreed to and did assume certain liabilities relating to the underfunded status of the former plan that such employees participated in prior to the acquisition. At December 31, 2016, we recognized an initial \$17.5 million in "other liabilities" in the accompanying consolidated balance sheet to reflect our obligations with respect to the underfunded status of the defined benefit plan assets and liabilities transferred to us, and during fiscal 2017 we adjusted that amount to \$17.9 million, which consists of a projected benefit obligation of \$50.9 million and fair value of plan assets of \$33.0 million.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(13) Commitments and Contingencies**

*Operating Leases.* We have several noncancelable operating leases, primarily for our corporate headquarters, certain of our manufacturing facilities, warehouses, transportation equipment and machinery. These leases generally require us to pay all executory costs such as maintenance, taxes and insurance. Total rental expense for our operating leases was \$12.4 million, \$9.1 million and \$8.0 million, for fiscal 2017, 2016 and 2015, respectively.

As of December 30, 2017, future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) for the periods set forth below were as follows (in thousands):

<u>Fiscal year ending:</u>	
2018.....	\$ 10,670
2019.....	9,772
2020.....	8,267
2021.....	6,294
2022.....	2,053
Thereafter .....	6,749
Total.....	<u>\$ 43,805</u>

*Legal Proceedings.* We are from time to time involved in various claims and legal actions arising in the ordinary course of business, including proceedings involving product liability claims, product labeling claims, worker's compensation and other employee claims, and tort and other general liability claims, as well as trademark, copyright, patent infringement and related claims and legal actions. While we cannot predict with certainty the results of these claims and legal actions in which we are currently or in the future may be involved, we do not expect that the ultimate disposition of any currently pending claims or actions will have a material adverse effect on our consolidated financial position, results of operations or liquidity.

*Environmental.* We are subject to environmental laws and regulations in the normal course of business. We did not make any material expenditures during fiscal 2017, 2016 or 2015 in order to comply with environmental laws and regulations. Based on our experience to date, management believes that the future cost of compliance with existing environmental laws and regulations (and liability for any known environmental conditions) will not have a material adverse effect on our consolidated financial position, results of operations or liquidity. However, we cannot predict what environmental or health and safety legislation or regulations will be enacted in the future or how existing or future laws or regulations will be enforced, administered or interpreted, nor can we predict the amount of future expenditures that may be required in order to comply with such environmental or health and safety laws or regulations or to respond to such environmental claims.

*Collective Bargaining Agreements.* As of December 30, 2017, approximately 1,639 of our 2,680 employees, or 61%, were covered by collective bargaining agreements. None of our collective bargaining agreements is scheduled to expire within one year.

*Severance and Change of Control Agreements.* We have employment agreements with each of our executive officers. The agreements generally continue until terminated by the executive or by us, and provide for severance payments under certain circumstances, including termination by us without cause (as defined in the agreements) or as a result of the employee's death or disability, or termination by us or a deemed termination upon a change of control (as defined in the agreements). Severance benefits generally include payments for salary continuation, continuation of health care and insurance benefits, present value of additional pension credits and, in the case of a change of control, accelerated vesting under compensation plans and, in certain cases, potential gross up payments for excise tax liability.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(13) Commitments and Contingencies (Continued)**

*Ortega and Las Palmas Recall.* On November 14, 2014, we announced a voluntary recall for certain *Ortega* and *Las Palmas* products after learning that one or more of the spice ingredients purchased from a third party supplier contained peanuts and almonds, allergens that are not declared on the products' ingredient statements. A significant majority of the costs of this recall were incurred in the fourth quarter of 2014. The cost impact of this recall during fiscal 2015 was \$1.9 million, of which \$1.2 million was recorded as a decrease in net sales related to customer refunds; \$0.5 million was recorded as an increase in cost of goods sold primarily related to costs associated with product retrieval, destruction charges and customer fees; and \$0.2 million was recorded as an increase in selling, general, and administrative expenses related to administrative costs.

The charges we recorded are based upon costs incurred to date. There was no cost impact of this recall during fiscal 2017 or 2016, and we do not expect future expenses, if any, to be material. During fiscal 2015, we recovered \$5.0 million of insurance proceeds.

**(14) Incentive Plans**

*Annual Bonus Plan.* Annually, our board of directors establishes a bonus plan that provides for cash awards to be made to our executive officers and other senior managers upon our company's attainment of pre-set annual financial objectives and individual performance. Awards are normally paid in cash in a lump sum following the close of each plan year. Threshold performance objectives were not attained for fiscal 2017 and therefore at December 30, 2017 accrued expenses in the accompanying consolidated balance sheets do not include an accrual for the annual bonus plan. At December 31, 2016, accrued expenses in the accompanying consolidated balance sheets include an accrual for the annual bonus plan of \$10.1 million.

*Omnibus Incentive Compensation Plan.* Upon the recommendation of our compensation committee, our board of directors on March 10, 2008 adopted (subject to stockholder approval) the B&G Foods, Inc. 2008 Omnibus Incentive Compensation Plan, which we refer to as the Omnibus Plan. Our stockholders approved the Omnibus Plan at our annual meeting on May 6, 2008. Our stockholders reapproved the material terms of the performance goals in our Omnibus Plan at our annual meeting on May 16, 2013. Upon the recommendation of our compensation committee, our board of directors in March 2017 approved (subject to stockholder approval) the amendment and restatement of the Omnibus Plan, renamed the Omnibus Incentive Compensation Plan. Our stockholders approved the amended and restated Omnibus Plan, including the material terms of the performance goals, at our annual meeting on May 23, 2017.

The Omnibus Plan authorizes the grant of performance share awards, restricted stock, options, stock appreciation rights, deferred stock, stock units and cash-based awards to employees, non-employee directors and consultants. The total number of shares available for issuance under the Omnibus Plan is 4,500,000, of which 2,404,298 were available for future issuance as of December 30, 2017. Some of those shares are subject to outstanding performance share long-term incentive awards (LTIA's) and stock options as described in the table below.

*Performance Share Awards.* Beginning in fiscal 2008, our compensation committee has made annual grants of performance share LTIA's to our executive officers and certain other members of senior management under the Omnibus Plan. The performance share LTIA's entitle the participants to earn shares of common stock upon the attainment of certain performance goals over the applicable performance period. The performance period is typically three years.

Each performance share LTIA has a threshold, target and maximum payout. The awards are settled based upon our performance over the applicable performance period. For the performance share LTIA's granted to date, the applicable performance metric is and has been "excess cash" (as defined in the award agreements). If our performance fails to meet the performance threshold, then the awards will not vest and no shares will be issued pursuant to the awards. If our performance meets or exceeds the performance threshold, then a varying amount of shares from the threshold amount (50% of the target number of shares) up to the maximum amount (200% of the target number of shares) may be earned.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
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**(14) Incentive Plans (Continued)**

Subject to the performance goal for the applicable performance period being certified in writing by our compensation committee as having been achieved, shares of common stock are issued prior to March 15 following the completion of the performance period.

The following table details the activity in our performance share LTIA's for fiscal 2017:

	<u>Number of Performance Shares <sup>(1)</sup></u>	<u>Weighted Average Grant Date Fair Value (per share)<sup>(2)</sup></u>
Beginning of fiscal 2017.....	436,554	\$ 26.81
Granted .....	132,000	\$ 36.15
Vested .....	(110,528)	\$ 27.50
Forfeited.....	(20,808)	\$ 28.60
End of fiscal 2017.....	<u>437,218</u>	<u>\$ 29.36</u>

- (1) Solely for purposes of this table, the number of performance shares is based on the participants earning the maximum number of performance shares (i.e., 200% of the target number of performance shares).
- (2) The fair value of the awards was determined based upon the closing price of our common stock on the applicable measurement dates (i.e., the deemed grant dates for accounting purposes) reduced by the present value of expected dividends using the risk-free interest-rate as the award holders are not entitled to dividends or dividend equivalents during the vesting period.

*Stock Options.*

The following table details our stock option activity for fiscal 2017:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Contractual Life Remaining (Years)</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
Outstanding at beginning of fiscal 2017 .....	714,580	\$ 31.65		
Granted.....	159,385	\$ 41.31		
Exercised .....	(4,814)	\$ 29.10		
Forfeited.....	(35,879)	\$ 32.86		
Cancelled .....	(703)	\$ 34.00		
Outstanding at end of fiscal 2017.....	<u>832,569</u>	\$ 33.45	7.67	\$ 3,631
Exercisable at end of fiscal 2017 .....	<u>402,835</u>	\$ 31.65	7.00	\$ 2,216

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
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**(14) Incentive Plans (Continued)**

The fair value of the options was estimated on the date of grant using the Black-Scholes option-pricing model utilizing the following assumptions. Expected volatility was based on both historical and implied volatilities of our common stock over the estimated expected term of the award. The expected term of the options granted represents the period of time that options were expected to be outstanding and is based on the “simplified method” in accordance with accounting guidance. We utilized the simplified method to determine the expected term of the options as we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury implied yield at the date of grant.

	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
Weighted average grant date fair value . . . .	\$ 7.29	\$ 5.26	\$ 6.00
Expected volatility . . . . .	27.5% - 29.2%	27.7%	36.0%
Expected term . . . . .	5.5 - 6.5 years	5.5 - 6.5 years	6.5 years
Risk-free interest rate . . . . .	1.8% - 2.4%	1.5% - 1.7%	1.6% - 1.9%
Dividend yield . . . . .	4.5% - 5.22%	3.9% - 4.9%	4.7% - 4.9%

*Non-Employee Director Grants.* Each of our non-employee directors receives an annual grant of common stock as part of his or her non-employee director compensation. These shares fully vest when issued. In addition, each of our non-employee directors is given the option to receive all or a portion of his or her annual board service fee in cash or an equivalent amount of stock options. Such stock options are reflected in the information provided above under “*Stock Options.*”

The following table details the number of shares of common stock issued by our company during fiscal 2017, 2016 and 2015 upon the vesting of performance share long-term incentive awards and for non-employee director annual equity grants and other share based compensation:

	<u>December 30, 2017</u>	<u>December 31, 2016</u>	<u>January 2, 2016</u>
Number of performance shares vested . . . . .	110,528	101,094	153,194
Shares withheld to fund statutory minimum tax withholding . . . . .	42,368	37,596	58,242
Shares of common stock issued for performance share LTIAAs . . . . .	68,160	63,498	94,952
Shares of common stock issued upon the exercise of stock options . . . . .	4,011	—	—
Shares of common stock issued to non-employee directors for annual equity grants . . . . .	<u>20,559</u>	<u>16,072</u>	<u>18,095</u>
Total shares of common stock issued . . . . .	<u>92,730</u>	<u>79,570</u>	<u>113,047</u>
Excess tax benefit . . . . .	<u>\$ —</u>	<u>\$ 343</u>	<u>\$ 539</u>

The following table sets forth the compensation expense recognized for share-based payments (performance share LTIAAs, stock options, non-employee director stock grants and other share based payments) during the last three fiscal years and where that expense is reflected in our consolidated statements of operations (in thousands):

<u>Consolidated Statements of Operations Location</u>	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
Compensation expense included in cost of goods sold . . . . .	\$ 1,203	\$ 1,060	\$ 1,420
Compensation expense included in selling, general and administrative expenses . . . . .	<u>3,412</u>	<u>4,738</u>	<u>4,397</u>
Total compensation expense for share-based payments . . . . .	<u>\$ 4,615</u>	<u>\$ 5,798</u>	<u>\$ 5,817</u>

As of December 30, 2017, there was \$1.0 million of unrecognized compensation expense related to performance share LTIAAs, which is expected to be recognized over the next two fiscal years and \$1.0 million of unrecognized compensation expense related to stock options, which is expected to be recognized over the next three fiscal years.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(15) Net Sales by Brand**

The following table sets forth net sales by brand (in thousands):

Brand <sup>(1)</sup> :	<u>Fiscal 2017</u>	<u>Fiscal 2016</u>	<u>Fiscal 2015</u>
<i>Green Giant</i> - frozen <sup>(2)</sup> .....	\$ 336,420	\$ 302,807	\$ —
Spices & Seasonings <sup>(3)</sup> .....	260,718	28,171	—
<i>Green Giant</i> <sup>(2)</sup> .....	—	—	106,173
<i>Ortega</i> .....	139,052	142,093	145,840
<i>Green Giant</i> - shelf stable <sup>(2)</sup> .....	125,857	156,437	—
Pirate Brands .....	90,133	84,918	81,715
<i>Maple Grove Farms of Vermont</i> .....	68,288	72,799	77,724
<i>Cream of Wheat</i> .....	61,545	62,178	62,342
<i>Mrs. Dash</i> .....	60,444	60,653	63,210
<i>Bear Creek Country Kitchens</i> .....	50,667	52,787	53,865
All other brands <sup>(4)</sup> .....	474,932	428,414	375,489
Total .....	<u>\$ 1,668,056</u>	<u>\$ 1,391,257</u>	<u>\$ 966,358</u>

- (1) Table includes net sales for each of our brands whose fiscal 2017 net sales equaled or exceeded 3% of our total fiscal 2017 net sales and for all other brands in the aggregate. Net sales for each brand includes branded net sales and, if applicable, any private label and foodservice net sales attributable to the brand.
- (2) We completed the *Green Giant* acquisition on November 2, 2015. For 2015, *Green Giant* net sales includes the aggregate net sales for *Green Giant* – frozen, *Green Giant* – shelf stable, the *Le Sueur* brand and non-branded industrial products. For 2016 and 2017, net sales for *Green Giant* – frozen and *Green Giant* – shelf stable are separately presented and net sales for *Le Sueur* and the non-branded industrial products are included in “All other brands.”
- (3) We completed the spices & seasonings acquisition on November 21, 2016. Net sales for spices & seasonings includes net sales for the acquired business and does not include our legacy spices & seasoning brands, such as Mrs. Dash, which is separately listed in this table.
- (4) Net sales for “all other brands” has been impacted by the *Back To Nature* acquisition, which we completed on October 2, 2017, the *Victoria* acquisition which was completed on December 2, 2016 and the *Mama Mary’s* acquisition, which we completed on July 10, 2015.

**(16) Restructuring**

During fiscal 2016, we closed our Spartanburg, South Carolina manufacturing and warehouse facilities and moved our *Mama Mary’s* operations to our manufacturing facility in Yadkinville, North Carolina. This decision was consistent with our ongoing efforts to reduce excess production capacity, improve productivity and operating efficiencies and reduce overall costs. In connection with the restructuring, we recorded a charge for employee severance and other employee costs of approximately \$0.8 million during the third quarter of 2016 and a non-cash write-off of equipment of approximately \$0.3 million during the fourth quarter of 2016.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(17) Quarterly Financial Data (unaudited)**

	<u>First Quarter</u>	<u>Second Quarter</u>	<u>Third Quarter</u>	<u>Fourth Quarter</u>
	(in thousands, except per share data)			
Net sales				
2017.....	\$ 417,874	\$ 368,134	\$ 408,364	\$ 473,684
2016.....	\$ 352,978	\$ 306,376	\$ 318,247	\$ 413,656
Gross profit				
2017.....	\$ 126,786	\$ 111,015	\$ 123,255	\$ 101,191
2016.....	\$ 115,915	\$ 109,715	\$ 115,426	\$ 106,906
Net income				
2017.....	\$ 32,764	\$ 22,061	\$ 32,730	\$ 129,908
2016.....	\$ 33,196	\$ 30,251	\$ 32,410	\$ 13,568
Basic and diluted earnings per share				
2017.....	\$ 0.49	\$ 0.33	\$ 0.49	\$ 1.95
2016.....	\$ 0.56	\$ 0.48	\$ 0.50	\$ 0.20
Cash dividends declared per share				
2017.....	\$ 0.465	\$ 0.465	\$ 0.465	\$ 0.465
2016.....	\$ 0.420	\$ 0.420	\$ 0.420	\$ 0.465

Earnings per share were computed individually for each of the quarters presented using the weighted average number of shares outstanding during each quarterly period, while earnings per share for the full year were computed using the weighted average number of shares outstanding during the full year; therefore, the sum of the earnings per share amounts for the quarters may not equal the total for the full year.

**(18) Guarantor and Non-Guarantor Financial Information**

As further discussed in Note 7, "Long-Term Debt," our obligations under the 4.625% senior notes and the 5.25% senior notes are jointly and severally and fully and unconditionally guaranteed on a senior basis by all of our existing and certain future domestic subsidiaries, which we refer to in this note as the guarantor subsidiaries. Our foreign subsidiaries, which we refer to in this note as the non-guarantor subsidiaries, do not guarantee the 4.625% senior notes or the 5.25% senior notes.

The following condensed consolidating financial information presents the condensed consolidating balance sheet as of December 30, 2017 and December 31, 2016, the related condensed consolidating statement of operations for the fiscal years ended December 30, 2017 and the related condensed consolidating statement of cash flows for the fiscal years ended December 30, 2017 and December 31, 2016, for:

1. B&G Foods, Inc. (the Parent),
2. the guarantor subsidiaries,
3. the non-guarantor subsidiaries, and
4. the Parent and all of its subsidiaries on a consolidated basis.

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(18) Guarantor and Non-Guarantor Financial Information (Continued)**

The information includes elimination entries necessary to consolidate the Parent with the guarantor subsidiaries and non-guarantor subsidiaries. The guarantor subsidiaries and non-guarantor subsidiaries are presented on a combined basis. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions. Separate financial information for each of the guarantor subsidiaries and non-guarantor subsidiaries are not presented because management believes such financial statements would not be meaningful to investors.

**Condensed Consolidating Balance Sheet**  
**As of December 30, 2017**  
**(In thousands)**

<b>Assets</b>	<b>Parent</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Current Assets:</b>					
Cash and cash equivalents . . . . .	\$ —	\$ 204,815	1,691	—	\$ 206,506
Trade accounts receivable, net . . . . .	—	129,769	11,623	—	141,392
Inventories, net . . . . .	—	428,613	73,236	—	501,849
Prepaid expenses and other current assets . . . . .	—	15,932	4,122	—	20,054
Income tax receivable . . . . .	—	16,259	535	—	16,794
<b>Total current assets . . . . .</b>	<b>—</b>	<b>795,388</b>	<b>91,207</b>	<b>—</b>	<b>886,595</b>
Property, plant and equipment, net . . . . .	—	229,219	42,973	—	272,192
Goodwill . . . . .	—	649,292	—	—	649,292
Other intangibles, net . . . . .	—	1,748,220	—	—	1,748,220
Other assets . . . . .	—	1,603	14	—	1,617
Deferred income taxes . . . . .	—	(1)	3,123	—	3,122
Investments in subsidiaries . . . . .	3,163,482	91,766	—	(3,255,248)	—
<b>Total assets . . . . .</b>	<b>\$ 3,163,482</b>	<b>\$ 3,515,487</b>	<b>\$ 137,317</b>	<b>\$ (3,255,248)</b>	<b>\$ 3,561,038</b>
<b>Liabilities and Stockholders' Equity</b>					
<b>Current Liabilities:</b>					
Trade accounts payable . . . . .	\$ —	\$ 102,594	\$ 19,764	\$ —	\$ 122,358
Accrued expenses . . . . .	—	45,586	2,481	—	48,067
Income tax payable . . . . .	—	—	139	—	139
Dividends payable . . . . .	30,922	—	—	—	30,922
Intercompany payables . . . . .	—	(23,167)	23,167	—	—
<b>Total current liabilities . . . . .</b>	<b>30,922</b>	<b>125,013</b>	<b>45,551</b>	<b>—</b>	<b>201,486</b>
Long-term debt . . . . .	2,251,741	(34,167)	—	—	2,217,574
Other liabilities . . . . .	—	24,881	—	—	24,881
Deferred income taxes . . . . .	—	236,278	—	—	236,278
<b>Total liabilities . . . . .</b>	<b>2,282,663</b>	<b>352,005</b>	<b>45,551</b>	<b>—</b>	<b>2,680,219</b>
<b>Stockholders' Equity:</b>					
Preferred stock . . . . .	—	—	—	—	—
Common stock . . . . .	665	—	—	—	665
Additional paid-in capital . . . . .	266,789	2,552,342	68,253	(2,620,595)	266,789
Accumulated other comprehensive loss . . . . .	(20,756)	(20,756)	(7,771)	28,527	(20,756)
Retained earnings . . . . .	634,121	631,896	31,284	(663,180)	634,121
<b>Total stockholders' equity . . . . .</b>	<b>880,819</b>	<b>3,163,482</b>	<b>91,766</b>	<b>(3,255,248)</b>	<b>880,819</b>
<b>Total liabilities and stockholders' equity . . . . .</b>	<b>\$ 3,163,482</b>	<b>\$ 3,515,487</b>	<b>\$ 137,317</b>	<b>\$ (3,255,248)</b>	<b>\$ 3,561,038</b>



**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(18) Guarantor and Non-Guarantor Financial Information (Continued)**

**Condensed Consolidating Balance Sheet**  
**As of December 31, 2016**  
**(In thousands)**

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Assets</b>					
Current Assets:					
Cash and cash equivalents . . . . .	\$ —	\$ 25,119	\$ 3,714	\$ —	\$ 28,833
Trade accounts receivable, net . . . . .	—	111,350	7,915	—	119,265
Inventories, net . . . . .	—	309,584	47,006	—	356,590
Prepaid expenses and other current assets . . . . .	—	20,296	6,103	—	26,399
Income tax receivable . . . . .	—	10,780	7	—	10,787
Intercompany receivables . . . . .	—	—	12,183	(12,183)	—
Total current assets . . . . .	—	477,129	76,928	(12,183)	541,874
Property, plant and equipment, net . . . . .	—	211,843	33,501	—	245,344
Goodwill . . . . .	—	614,278	—	—	614,278
Other intangibles, net . . . . .	—	1,629,482	—	—	1,629,482
Other assets . . . . .	—	4,612	13	—	4,625
Deferred income taxes . . . . .	—	7,036	866	—	7,902
Investments in subsidiaries . . . . .	2,563,305	96,187	—	(2,659,492)	—
Total assets . . . . .	<u>\$ 2,563,305</u>	<u>\$ 3,040,567</u>	<u>\$ 111,308</u>	<u>\$ (2,671,675)</u>	<u>\$ 3,043,505</u>
<b>Liabilities and Stockholders' Equity</b>					
Current Liabilities:					
Trade accounts payable . . . . .	\$ —	\$ 88,668	\$ 9,365	\$ —	\$ 98,033
Accrued expenses . . . . .	—	60,957	1,436	—	62,393
Current portion of long-term debt . . . . .	10,515	—	—	—	10,515
Income tax payable . . . . .	—	—	3,875	—	3,875
Dividends payable . . . . .	30,879	—	—	—	30,879
Intercompany payables . . . . .	—	11,738	445	(12,183)	—
Total current liabilities . . . . .	41,394	161,363	15,121	(12,183)	205,695
Long-term debt . . . . .	1,736,254	(20,986)	—	—	1,715,268
Other liabilities . . . . .	—	21,405	—	—	21,405
Deferred income taxes . . . . .	—	315,480	—	—	315,480
Total liabilities . . . . .	1,777,648	477,262	15,121	(12,183)	2,257,848
Stockholders' Equity:					
Common stock . . . . .	664	—	—	—	664
Additional paid-in capital . . . . .	387,699	2,168,236	86,833	(2,255,069)	387,699
Accumulated other comprehensive loss . . . . .	(19,364)	(19,364)	(12,164)	31,528	(19,364)
Retained earnings . . . . .	416,658	414,433	21,518	(435,951)	416,658
Total stockholders' equity . . . . .	785,657	2,563,305	96,187	(2,659,492)	785,657
Total liabilities and stockholders' equity . . . . .	<u>\$ 2,563,305</u>	<u>\$ 3,040,567</u>	<u>\$ 111,308</u>	<u>\$ (2,671,675)</u>	<u>\$ 3,043,505</u>

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(18) Guarantor and Non-Guarantor Financial Information (Continued)**

**Condensed Consolidating Statements of Operations and Comprehensive Income**  
**Year Ended December 30, 2017**  
**(In thousands)**

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$ —	\$ 1,578,185	\$ 177,506	\$ (87,635)	\$ 1,668,056
Cost of goods sold	—	1,141,080	152,364	(87,635)	1,205,809
Gross profit	—	437,105	25,142	—	462,247
Operating expenses:					
Selling, general and administrative expenses	—	192,139	13,095	—	205,234
Amortization expense	—	17,611	—	—	17,611
Impairment of intangible assets	—	—	—	—	—
Operating income	—	227,355	12,047	—	239,402
Other income and expenses:					
Interest expense, net	—	91,784	—	—	91,784
Loss on extinguishment of debt	—	1,163	—	—	1,163
Other income	—	(1,607)	—	—	(1,607)
Income before income tax (benefit) expense	—	136,015	12,047	—	148,062
Income tax (benefit) expense	—	(71,682)	2,281	—	(69,401)
Equity in earnings of subsidiaries	217,463	9,766	—	(227,229)	—
Net income	<u>\$ 217,463</u>	<u>\$ 217,463</u>	<u>\$ 9,766</u>	<u>\$ (227,229)</u>	<u>\$ 217,463</u>
Comprehensive income	<u>\$ 216,071</u>	<u>\$ 223,248</u>	<u>\$ 14,158</u>	<u>\$ (237,406)</u>	<u>\$ 216,071</u>

**Condensed Consolidating Statements of Operations and Comprehensive Income**  
**Year Ended December 31, 2016**  
**(In thousands)**

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$ —	\$ 1,300,569	\$ 139,023	\$ (48,335)	\$ 1,391,257
Cost of goods sold	—	887,163	104,467	(48,335)	943,295
Gross profit	—	413,406	34,556	—	447,962
Operating expenses:					
Selling, general and administrative expenses	—	167,003	7,756	—	174,759
Amortization expense	—	13,803	—	—	13,803
Impairment of intangible assets	—	5,405	—	—	5,405
Operating income	—	227,195	26,800	—	253,995
Other income and expenses:					
Interest expense, net	—	74,456	—	—	74,456
Loss on extinguishment of debt	—	2,836	—	—	2,836
Other income	—	(363)	—	—	(363)
Income before income tax expense	—	150,266	26,800	—	177,066
Income tax expense	—	60,134	7,507	—	67,641
Equity in earnings of subsidiaries	109,425	19,293	—	(128,718)	—
Net income	<u>\$ 109,425</u>	<u>\$ 109,425</u>	<u>\$ 19,293</u>	<u>\$ (128,718)</u>	<u>\$ 109,425</u>
Comprehensive income (loss)	<u>\$ 102,757</u>	<u>\$ 107,913</u>	<u>\$ 11,113</u>	<u>\$ (119,026)</u>	<u>\$ 102,757</u>

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(18) Guarantor and Non-Guarantor Financial Information (Continued)**

**Condensed Consolidating Statement of Cash Flows**  
**Year Ended December 30, 2017**  
**(In thousands)**

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net cash provided by (used in) operating activities . . . . .	\$ —	\$ 44,762	\$ (6,963)	\$ —	\$ 37,799
<b>Cash flows from investing activities:</b>					
Capital expenditures . . . . .	—	(47,503)	(12,299)	—	(59,802)
Proceeds from sale of assets . . . . .	—	2,229	—	—	2,229
Payments for acquisition of businesses, net of cash acquired . . . . .	—	(162,965)	—	—	(162,965)
Net cash used in investing activities . . . . .	—	(208,239)	(12,299)	—	(220,538)
<b>Cash flows from financing activities:</b>					
Repayments of long-term debt . . . . .	(233,640)	—	—	—	(233,640)
Proceeds from issuance of long-term debt . . . . .	914,000	—	—	—	914,000
Repayments of borrowings under revolving credit facility . . . . .	(571,000)	—	—	—	(571,000)
Borrowings under revolving credit facility . . . . .	395,000	—	—	—	395,000
Proceeds from issuance of common stock, net . . . . .	112	—	—	—	112
Dividends paid . . . . .	(123,631)	—	—	—	(123,631)
Excess tax benefits from share-based compensation . . . . .	—	—	—	—	—
Payments of tax withholding on behalf of employees for net share settlement of share-based compensation . . . . .	—	(1,962)	—	—	(1,962)
Debt financing costs . . . . .	—	(19,543)	—	—	(19,543)
Intercompany transactions . . . . .	(380,841)	364,678	16,163	—	—
Net cash provided by financing activities . . . . .	—	343,173	16,163	—	359,336
Effect of exchange rate fluctuations on cash and cash equivalents . . . . .	—	—	1,076	—	1,076
Net increase (decrease) in cash and cash equivalents . . . . .	—	179,696	(2,023)	—	177,673
Cash and cash equivalents at beginning of year . . . . .	—	25,119	3,714	—	28,833
Cash and cash equivalents at end of year . . . . .	\$ —	\$ 204,815	\$ 1,691	\$ —	\$ 206,506

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements (Continued)**  
**December 30, 2017, December 31, 2016 and January 2, 2016**

**(18) Guarantor and Non-Guarantor Financial Information (Continued)**

**Condensed Consolidating Statement of Cash Flows**  
**Year Ended December 31, 2016**  
**(In thousands)**

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net cash provided by operating activities . . . . .	\$ —	\$ 263,388	\$ 26,273	\$ —	\$ 289,661
<b>Cash flows from investing activities:</b>					
Capital expenditures . . . . .	—	(33,847)	(8,571)	—	(42,418)
Proceeds from sale of assets . . . . .	—	—	—	—	—
Payments for acquisition of businesses, net of cash acquired. . . . .	—	(438,787)	—	—	(438,787)
Net cash used in investing activities . . . . .	—	(472,634)	(8,571)	—	(481,205)
<b>Cash flows from financing activities:</b>					
Repayments of long-term debt . . . . .	(150,000)	—	—	—	(150,000)
Proceeds from issuance of long-term debt . . . . .	—	—	—	—	—
Repayments of borrowings under revolving credit facility . . . . .	(99,000)	—	—	—	(99,000)
Borrowings under revolving credit facility . . . . .	235,000	—	—	—	235,000
Proceeds from issuance of common stock, net . . . . .	331,879	—	—	—	331,879
Dividends paid . . . . .	(100,807)	—	—	—	(100,807)
Excess tax benefits from share-based compensation . . . . .	—	343	—	—	343
Payments of tax withholding on behalf of employees for net share settlement of share-based compensation . . . . .	—	(1,410)	—	—	(1,410)
Debt financing costs . . . . .	—	—	—	—	—
Intercompany transactions . . . . .	(217,072)	233,468	(16,396)	—	—
Net cash provided by (used in) financing activities . . . . .	—	232,401	(16,396)	—	216,005
Effect of exchange rate fluctuations on cash and cash equivalents. . . . .	—	—	(874)	—	(874)
Net increase in cash and cash equivalents. . . . .	—	23,155	432	—	23,587
Cash and cash equivalents at beginning of year . . . . .	—	1,964	3,282	—	5,246
Cash and cash equivalents at end of year . . . . .	<u>\$ —</u>	<u>\$ 25,119</u>	<u>\$ 3,714</u>	<u>\$ —</u>	<u>\$ 28,833</u>

**(19) Subsequent Event**

During the first quarter of 2018, we made an optional prepayment of \$50.0 million aggregate principal amount of our tranche B term loans. See Note 7, “Long-Term Debt.”

**B&G FOODS, INC. AND SUBSIDIARIES**  
**Schedule of Valuation and Qualifying Accounts**  
**(In thousands)**

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>		<u>Column D</u>	<u>Column E</u>
<u>Description</u>	<u>Balance at beginning of period</u>	<u>Additions</u>		<u>Deductions—describe</u>	<u>Balance at end of period</u>
		<u>Charged to costs and expenses</u>	<u>Charged to other accounts—describe</u>		
Year ended January 2, 2016:					
Allowance for doubtful accounts and discounts . . .	\$ 1,005	\$ 178	—	\$ 16 <sup>(a)</sup>	\$ 1,167
Year ended December 31, 2016:					
Allowance for doubtful accounts and discounts . . .	\$ 1,167	\$ 559	—	\$ 7 <sup>(a)</sup>	\$ 1,719
Year ended December 30, 2017:					
Allowance for doubtful accounts and discounts . . .	\$ 1,719	\$ 378	—	\$ 273 <sup>(a)</sup>	\$ 1,824

(a) Represents bad-debt write-offs.

## **Item 9. Changes in and Disagreement with Accountants on Accounting and Financial Disclosure.**

None.

## **Item 9A. Controls and Procedures.**

### **Evaluation of Disclosure Controls and Procedures.**

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended, our management, including our chief executive officer and our chief financial officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. As defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, disclosure controls and procedures are controls and other procedures that we use that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Based on that evaluation, our chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

### **Management's Report on Internal Control over Financial Reporting.**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our management, including our chief executive officer and chief financial officer, conducted an evaluation of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our evaluation under the framework of Internal Control—Integrated Framework (2013), our management concluded that our internal control over financial reporting was effective at December 30, 2017. The effectiveness of our internal control over financial reporting as of December 30, 2017 was audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included in Part II, Item 8, "Financial Statements and Supplementary Data" of this report.

Our internal control system is designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published consolidated financial statements in accordance with generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We have excluded the *Back to Nature* business from our evaluation of internal control over financial reporting as of December 30, 2017, because we acquired the business during 2017. The total assets and total net sales of business represent 5.4% and 1.2%, respectively, of the related consolidated financial statement amounts as of and for fiscal 2017.

### **Changes in Internal Control over Financial Reporting.**

As required by Rule 13a-15(d) under the Exchange Act, our management, including our chief executive officer and our chief financial officer, also conducted an evaluation of our internal control over financial reporting to determine whether any change in our internal control over financial reporting occurred during the last quarter of fiscal 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, our chief executive officer and our chief financial officer concluded that there has been no change in our

internal control over financial reporting during the last quarter of fiscal 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

We transitioned our recently acquired spices & seasonings business to a new enterprise resource planning (ERP) system during the third quarter of 2017. We plan to continue implementing the ERP system throughout the remainder of our businesses over the course of approximately the next two years. In connection with these implementations and resulting business process changes, we continue to review and enhance the design and documentation of our internal control over financial reporting processes to maintain effective controls over our financial reporting.

**Inherent Limitations on Effectiveness of Controls.**

Our company's management, including the chief executive officer and chief financial officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

**Item 9B. Other Information.**

None.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance.

With the exception of the information relating to our Code of Business Conduct and Ethics that is presented in Part I, Item 1 of this report under the heading “Available Information,” the information required by this Item will appear in the sections entitled “Corporate Governance,” “Proposal 1—Election of Directors,” “Our Management,” “Section 16(a) Beneficial Ownership Reporting Compliance,” “Compensation Committee Interlocks and Insider Participation” and “Report of the Compensation Committee” included in our definitive proxy statement to be filed on or before April 30, 2018, relating to the 2018 annual meeting of stockholders, which information is incorporated herein by reference.

### Item 11. Executive Compensation.

The information required by this item will appear in the section entitled “Executive Compensation” and “Compensation Discussion and Analysis” included in our definitive proxy statement to be filed on or before April 30, 2018, relating to the 2018 annual meeting of stockholders, which information is incorporated herein by reference.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

*Securities Authorized for Issuance Under Equity Compensation Plans.* The following table summarizes information, as of December 30, 2017, relating to the Omnibus Incentive Compensation Plan, which was approved by the company’s stockholders and under which restricted stock, options, stock appreciation rights, deferred stock, stock units and cash-based awards to employees, non-employee directors and consultants may be granted from time to time.

#### Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders .....	1,271,293 <sup>(1)</sup>	\$ 33.45 <sup>(2)</sup>	1,133,005 <sup>(1)</sup>
Equity compensation plans not approved by security holders .....	—	—	—
Total .....	1,271,293 <sup>(1)</sup>	\$ 33.45 <sup>(2)</sup>	1,133,005 <sup>(1)</sup>

(1) Includes 832,569 stock options and 437,218 performance share long-term incentive awards (LTIAS) (for the 2015 to 2017, 2016 to 2018 and 2017 to 2019 performance periods) outstanding as of December 30, 2017, under the Omnibus Incentive Compensation Plan. For the performance share LTIAs, includes the maximum number of shares (i.e., 200% of the target number of shares) of common stock that may be issued under the Omnibus Incentive Compensation Plan in respect of the performance share LTIAs, subject to the achievement of specified performance goals. There is, however, no guarantee that all or any part of these performance-based awards will actually be earned and that shares of common stock will be issued upon completion of the performance cycles. In addition, if performance goals are achieved for the performance share LTIAs, plan participants are required to have shares withheld by our company to satisfy tax withholding requirements. Shares not issued due to withholding and shares not issued due to failure to satisfy performance goals do not count against the maximum number of remaining authorized shares under the plan. 92,957 shares of common stock (which is net of 57,298 shares withheld for minimum statutory tax withholding) were issued in February 2018 in respect of the 2015 to 2017 performance share LTIAs.



- (2) Reflects the weighted average exercise price of 832,569 stock options outstanding under the Omnibus Incentive Compensation Plan. 437,218 performance share LTIA's do not have an exercise price and are not included in calculation of the weighted average exercise price set forth in column (b).

The remaining information required by this item will appear in the section entitled "Security Ownership of Certain Beneficial Owners and Management" included in our definitive proxy statement to be filed on or before April 30, 2018, relating to the 2018 annual meeting of stockholders, which information is incorporated herein by reference.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information required by this item will appear in the section entitled "Certain Relationships and Related Transactions" and "Corporate Governance" included in our definitive proxy statement to be filed on or before April 30, 2018, relating to the 2018 annual meeting of stockholders, which information is incorporated herein by reference.

**Item 14. Principal Accountant Fees and Services.**

The information required by this item will appear in the section entitled "Independent Registered Public Accounting Firm Fees" included in our definitive proxy statement to be filed on or before April 30, 2018, relating to the 2018 annual meeting of stockholders, which information is incorporated herein by reference.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this report.

(1) *Consolidated Financial Statements*: The following consolidated financial statements are included in Part II, Item 8 of this report.

	<u>Page</u>
Reports of Independent Registered Public Accounting Firm.....	59
Consolidated Balance Sheets as of December 30, 2017 and December 31, 2016.....	62
Consolidated Statements of Operations for the fiscal years ended December 30, 2017, December 31, 2016 and January 2, 2016.....	63
Consolidated Statements of Comprehensive Income for the fiscal years ended December 30, 2017, December 31, 2016 and January 2, 2016.....	64
Consolidated Statements of Changes in Stockholders' Equity for the fiscal years ended December 30, 2017, December 31, 2016 and January 2, 2016. . .	65
Consolidated Statements of Cash Flows for the fiscal years ended December 30, 2017, December 31, 2016 and January 2, 2016.....	66
Notes to Consolidated Financial Statements.....	67

(2) *Financial Statement Schedule*. The following financial statement schedule is included in Part II, Item 8 of this report. ....

Schedule II—Schedule of Valuation and Qualifying Accounts. ....	105
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(3) *Exhibits*.

EXHIBIT NO.	DESCRIPTION
2.1	Asset Purchase Agreement, dated as of September 2, 2015, among General Mills, Inc., B&G Foods North America, Inc., and B&G Foods, Inc. (Filed as Exhibit 2.1 to B&G Foods' Current Report on Form 8-K filed September 3, 2015, and incorporated by reference herein)
2.2	Asset Purchase Agreement, dated as of September 21, 2016, among ACH Food Companies, Inc., B&G Foods North America, Inc., B&G Foods, Inc. and Associated British Foods PLC (Filed as Exhibit 2.1 to B&G Foods' Current Report on Form 8-K filed September 21, 2016, and incorporated by reference herein)
3.1	Second Amended and Restated Certificate of Incorporation of B&G Foods, Inc. (Filed as Exhibit 3.1 to B&G Foods' Current Report on Form 8-K filed on August 13, 2010, and incorporated by reference herein)
3.2	Bylaws of B&G Foods, Inc., as amended and restated through February 27, 2013 (Filed as Exhibit 3.1 to B&G Foods' Current Report on Form 8-K filed on March 4, 2013, and incorporated by reference herein)
4.1	Indenture, dated as of June 4, 2013, between B&G Foods, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee (Filed as Exhibit 4.1 to B&G Foods' Current Report on Form 8-K filed on June 4, 2013, and incorporated by reference herein)
4.2	First Supplemental Indenture, dated as of June 4, 2013, among B&G Foods, Inc., B&G Foods North America, Inc., B&G Foods Snacks, Inc., William Underwood Company, and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to the 4.625% senior notes due 2021 (Filed as Exhibit 4.2 to B&G Foods' Current Report on Form 8-K filed on June 4, 2013, and incorporated by reference herein)
4.3	Form of 4.625% Senior Note due 2021 (included in Exhibit 4.2)
4.4	Seventh Supplemental Indenture, dated as of April 3, 2017, among B&G Foods, Inc., the Guarantors (as defined therein), and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to the 5.25% senior notes due 2025 (Filed as Exhibit 4.1 to B&G Foods' Current Report on Form 8-K filed April 4, 2017, and incorporated by reference herein)
4.5	Form of 5.25% Senior Note due 2025 (included in Exhibit 4.4)
4.6	Form of stock certificate for common stock (Filed as Exhibit 4.1 to B&G Foods' Current Report on Form 8-K filed on August 13, 2010, and incorporated by reference herein)
10.1	Second Amendment to Credit Agreement, dated as of November 20, 2017, to the Amended and Restated Credit Agreement, dated as of October 2, 2015, among B&G Foods, Inc., as borrower, the several banks and other financial institutions or entities from time to time party thereto as lenders and Barclays Bank PLC, as administrative agent for the lenders and as collateral agent for the secured parties (Filed as Exhibit 10.1 to B&G Foods' Current Report on Form 8-K filed on November 21, 2017, and incorporated by reference herein)
10.2	Guarantee and Collateral Agreement, dated as of June 5, 2014, among B&G Foods, Inc., B&G Foods North America, Inc., B&G Foods Snacks, Inc., BCKK Holdings, Inc., Bear Creek Country Kitchens, LLC, Pirate Brands, LLC, Rickland Orchards LLC, Specialty Brands of America, Inc. and William Underwood Company, and each other subsidiary of B&G Foods, Inc. party thereto from time to time, and Credit Suisse AG, as collateral agent (Filed as Exhibit 10.2 to B&G Foods' Current Report on Form 8-K filed on June 9, 2014, and incorporated by reference herein)
10.3	Second Amended and Restated Employment Agreement, dated as of December 11, 2014, between Robert C. Cantwell and B&G Foods, Inc. (Filed as Exhibit 10.1 to B&G Foods' Current Report on Form 8-K filed on December 16, 2014, and incorporated by reference herein)

EXHIBIT NO.	DESCRIPTION
10.4	Amended and Restated Employment Agreement by and between Vanessa E. Maskal and B&G Foods, Inc., dated as of December 31, 2008 (Filed as Exhibit 10.3 to B&G Foods' Current Report on Form 8-K filed on January 6, 2009, and incorporated by reference herein)
10.5	Amended and Restated Employment Agreement by and between Scott E. Lerner and B&G Foods, Inc., dated as of December 31, 2008 (Filed as Exhibit 10.5 to B&G Foods' Current Report on Form 8-K filed on January 6, 2009, and incorporated by reference herein)
10.6	Employment Agreement, dated as of August 6, 2009, between William F. Herbes and B&G Foods, Inc. (Filed as Exhibit 10.2 to B&G Foods' Current Report on Form 8-K filed on August 10, 2009, and incorporated by reference herein)
10.7	Employment Agreement, dated as of March 5, 2010, between William H. Wright and B&G Foods, Inc. (Filed as Exhibit 10.12 to B&G Foods' Annual Report on Form 10-K filed on March 1, 2011, and incorporated by reference herein)
10.8	Employment Agreement, dated as of January 4, 2016, between Eric H. Hart and B&G Foods, Inc. (filed as Exhibit 10.9 to B&G Foods' Annual Report on Form 10-K filed on March 2, 2016, and incorporated by reference herein)
10.9	Employment Agreement, dated as of August 1, 2017, between Bruce C. Wacha and B&G Foods, Inc. (Filed as Exhibit 10.1 to B&G Foods Quarterly Report on Form 10-Q filed on November 3, 2017, and incorporated herein by reference)
10.10	First Amendment to Employment Agreement, dated as of November 6, 2017, between, Bruce C. Wacha and B&G Foods, Inc. (Filed as Exhibit 10.1 to B&G Foods' Current Report on Form 8-K filed on November 7, 2017, and incorporated by reference herein)
10.11	Employment Agreement, dated as of November 21, 2017, between Kenneth G. Romanzi and B&G Foods, Inc. (Filed as Exhibit 10.1 to B&G Foods' Current Report on Form 8-K filed on November 21, 2017, and incorporated by reference herein)
10.12	B&G Foods, Inc. Omnibus Incentive Compensation Plan, as amended and restated on May 23, 2017 (filed as Annex A to B&G Foods' Definitive Proxy Statement on Schedule 14A, filed on April 6, 2017, and incorporated by reference herein)
10.13	Form of B&G Foods, Inc. Performance Share Long-Term Incentive Award Agreement (Filed as Exhibit 10.11 to B&G Foods' Annual Report on Form 10-K filed on February 26, 2014, and incorporated by reference herein)
10.14	Form of B&G Foods, Inc. Stock Option Agreement (Non-Qualified Stock Option) (Filed as Exhibit 10.2 to B&G Foods' Current Report on Form 8-K filed on December 16, 2014, and incorporated by reference herein)
12.1	Computation of Ratio of Earnings to Fixed Charges.
21.1	Subsidiaries of B&G Foods, Inc.
23.1	Consent of KPMG LLP.
31.1	Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 of the Chief Executive Officer.

EXHIBIT NO.	DESCRIPTION
31.2	Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 of the Chief Financial Officer.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer and Chief Financial Officer.
101.1	The following financial information from B&G Foods' Annual Report for the year ended December 30, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, (vi) Notes to Consolidated Financial Statements, and (vii) document and entity information.

**Item 16. Form 10-K Summary.**

None.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: February 28, 2018

B&G FOODS, INC.

By: /s/ BRUCE C. WACHA

Bruce C. Wacha  
*Executive Vice President of Finance  
and Chief Financial Officer  
(Principal Financial and Accounting Officer)*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>NAME</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ STEPHEN C. SHERRILL</u> Stephen C. Sherrill	Chairman of the Board of Directors	February 28, 2018
<u>/s/ ROBERT C. CANTWELL</u> Robert C. Cantwell	President, Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2018
<u>/s/ DEANN L. BRUNTS</u> DeAnn Brunts	Director	February 28, 2018
<u>/s/ CHARLES F. MARCY</u> Charles F. Marcy	Director	February 28, 2018
<u>/s/ DENNIS M. MULLEN</u> Dennis M. Mullen	Director	February 28, 2018
<u>/s/ CHERYL M. PALMER</u> Cheryl M. Palmer	Director	February 28, 2018
<u>/s/ ALFRED POE</u> Alfred Poe	Director	February 28, 2018
<u>/s/ DAVID L. WENNER</u> David L. Wenner	Director	February 28, 2018

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER**

I, Robert C. Cantwell, certify that:

1. I have reviewed this annual report on Form 10-K of B&G Foods, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2018

/s/ ROBERT C. CANTWELL

Robert C. Cantwell  
*Chief Executive Officer*

**CERTIFICATION BY CHIEF FINANCIAL OFFICER**

I, Bruce C. Wacha, certify that:

1. I have reviewed this annual report on Form 10-K of B&G Foods, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2018

/s/ BRUCE C. WACHA

Bruce C. Wacha

*Chief Financial Officer*



CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of B&G Foods, Inc. (the “Company”) on Form 10-K for the period ended December 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert C. Cantwell, Chief Executive Officer of the Company and I, Bruce C. Wacha, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ROBERT C. CANTWELL

Robert C. Cantwell  
*Chief Executive Officer*  
February 28, 2018

/s/ BRUCE C. WACHA

Bruce C. Wacha  
*Chief Financial Officer*  
February 28, 2018

*A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.*



# COMPANY INFORMATION

## BOARD OF DIRECTORS

Stephen C. Sherrill  
*Chairman of the Board*  
*Director since 1996*

Robert C. Cantwell  
*President and Chief Executive Officer*  
*Director since 2005*

DeAnn L. Brunts  
*Director since 2015*

Charles F. Marcy  
*Director since 2010*

Robert D. Mills  
*Director since 2018*

Dennis M. Mullen  
*Director since 2006*

Cheryl M. Palmer  
*Director since 2010*

Alfred Poe  
*Director since 1997*

David L. Wenner  
*Director since 1997*

## EXECUTIVE OFFICERS

Robert C. Cantwell  
*President and Chief Executive Officer*

Eric H. Hart  
*Executive Vice President of Human Resources*  
*and Chief Human Resources Officer*

William F. Herbes  
*Executive Vice President of Operations*

Scott E. Lerner  
*Executive Vice President, General Counsel,*  
*Secretary and Chief Compliance Officer*

Vanessa E. Maskal  
*Executive Vice President of Sales and Marketing*

Kenneth G. Romanzi  
*Executive Vice President and Chief Operating Officer*

Bruce C. Wacha  
*Executive Vice President of Finance*  
*and Chief Financial Officer*

William H. Wright  
*Executive Vice President of Quality Assurance and*  
*Research & Development*

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This Annual Report includes certain forward-looking statements that are based upon current expectations and are subject to a number of risks and uncertainties. Please see "Forward-Looking Statements" beginning on page 54 in the Management's Discussion and Analysis section.

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## CORPORATE HEADQUARTERS

B&G Foods, Inc.  
Four Gatehall Drive  
Parsippany, NJ 07054  
Telephone: 973.401.6500  
Website: [www.bgfoods.com](http://www.bgfoods.com)



## STOCK EXCHANGE LISTING

B&G Foods' common stock is traded on the New York Stock Exchange under the ticker symbol BGS.

## CORPORATE NEWS RELEASES AND SEC FILINGS

Corporate news releases and SEC filings, including Forms 10-K, 10-Q and 8-K are available free of charge in the Investor Relations section of our website, [www.bgfoods.com](http://www.bgfoods.com). If you do not have internet access, you may contact ICR, Inc. at the address and telephone number listed below to request these materials.

## INVESTOR RELATIONS

Inquiries and requests regarding this annual report and other stockholder questions should be directed to:

ICR, Inc.  
761 Main Avenue, Norwalk, CT 06851  
Attn: Don Duffy or Dara Dierks  
Telephone: 866.211.8151

Please also visit the Investor Relations section of our website, [www.bgfoods.com](http://www.bgfoods.com).

## TRANSFER AGENT AND REGISTRAR

Computershare Trust Company, N.A.  
P.O. Box 30170  
College Station, TX 77842

Private Couriers/Registered Mail:  
Computershare Trust Company, N.A.  
211 Quality Circle, Suite 210  
College Station, TX 77845

Telephone: 800.522.6645  
Website: [www.computershare.com/investor](http://www.computershare.com/investor)  
Hearing Impaired #: TDD: 800.952.9245

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP  
51 John F. Kennedy Parkway  
Short Hills, NJ 07078

## ANNUAL MEETING

The annual meeting of stockholders will be held on Tuesday, May 22, 2018, at 10:00 a.m., local time, at the Sheraton Parsippany Hotel, 199 Smith Road, Parsippany, NJ 07054.



**B&G FOODS, INC.**

Four Gatehall Drive • Parsippany, NJ 07054 • 973.401.6500 • [www.bgfoods.com](http://www.bgfoods.com)