UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2024

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: 001-34249

FARMER BROS. CO.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**95-0725980**
(State or Other Jurisdiction of Incorporation of Organization)	(I.R.S. Employer Identification No.)

14501 N Fwy, Fort Worth, Texas 76177
(Address of Principal Executive Offices; Zip Code)

682-549-6600
(Registrant's Telephone Number, Including Area Code)

None
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, par value $1.00 per share	**FARM**	**Nasdaq Global Select Market**

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes X NO ☐

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.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	X	Smaller reporting company	X
		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 Exchange Act).
YES ☐ NO X

As of February 3, 2025, the registrant had 21,353,940 shares outstanding of its common stock, par value $1.00 per share, which is the registrant's only class of common stock.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION (UNAUDITED)
Item 1. Financial Statements

FARMER BROS. CO.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands, except share and per share data)

	December 31, 2024	June 30, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,488	$ 5,830
Restricted cash	246	175
Accounts receivable, net of allowance for credit losses of $710 for both periods	35,608	35,147
Inventories	52,771	57,230
Short-term derivative assets	550	11
Prepaid expenses	4,829	4,236
Assets held for sale	352	352
Total current assets	99,844	102,981
Property, plant and equipment, net	30,984	34,002
Intangible assets, net	10,133	11,233
Right-of-use operating lease assets	36,858	35,241
Other assets	1,300	1,756
Total assets	$ 179,119	$ 185,213
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	44,629	48,478
Accrued payroll expenses	10,900	10,782
Right-of-use operating lease liabilities - current	16,090	14,046
Short-term derivative liability	2,624	730
Other current liabilities	3,649	2,997
Total current liabilities	77,892	77,033
Long-term borrowings under revolving credit facility	23,300	23,300
Accrued pension liabilities	11,553	12,287
Accrued postretirement benefits	811	789
Accrued workers' compensation liabilities	2,557	2,378
Right-of-use operating lease liabilities - noncurrent	21,290	21,766
Other long-term liabilities	226	2,111
Total liabilities	$ 137,629	$ 139,664
Commitments and contingencies		
Stockholders' equity:		
Common stock, $1.00 par value, 50,000,000 shares authorized; 21,351,396 and 21,264,327 shares issued and outstanding as of December 31, 2024 and June 30, 2024, respectively	21,351	21,265
Additional paid-in capital	80,913	79,963
Accumulated deficit	(35,146)	(30,354)
Accumulated other comprehensive loss	(25,628)	(25,325)
Total stockholders' equity	$ 41,490	$ 45,549
Total liabilities and stockholders' equity	$ 179,119	$ 185,213

The accompanying notes are an integral part of these unaudited consolidated financial statements.

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In thousands, except share and per share data)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	**2023**	**2024**	**2023**
Net sales	$ 90,021	$ 89,453	$ 175,086	$ 171,340
Cost of goods sold	51,182	53,344	98,930	104,444
Gross profit	38,839	36,109	76,156	66,896
Selling expenses	26,760	28,141	53,987	54,969
General and administrative expenses	9,534	9,655	20,786	22,486
Net losses (gains) on disposal of assets	1,527	(6,138)	3,193	(12,922)
Operating expenses	37,821	31,658	77,966	64,533
Income (loss) from operations	1,018	4,451	(1,810)	2,363
Other (expense) income:				
Interest expense	(1,922)	(1,907)	(3,713)	(4,129)
Other, net	1,033	324	783	3,195
Total other expense	(889)	(1,583)	(2,930)	(934)
Income (loss) before taxes	129	2,868	(4,740)	1,429
Income tax (benefit) expense	(81)	164	52	32
Net income (loss)	$ 210	$ 2,704	$ (4,792)	$ 1,397
Net income (loss) available to common stockholders per common share, basic and diluted	$ 0.01	$ 0.13	$ (0.23)	$ 0.07
Weighted average common shares outstanding—basic	21,314,911	20,728,699	21,289,073	20,565,492
Weighted average common shares outstanding—diluted	22,357,699	20,917,562	21,289,073	20,740,303

The accompanying notes are an integral part of these unaudited consolidated financial statements.

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)
(In thousands)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Net income (loss)	$ 210	$ 2,704	$ (4,792)	$ 1,397
Other comprehensive income (loss), net of taxes:				
Unrealized (losses) gains on derivatives designated as cash flow hedges	(6)	606	1	151
(Gain) loss on derivatives designated as cash flow hedges reclassified to cost of goods sold	(181)	802	(303)	630
Total comprehensive income (loss)	$ 23	$ 4,112	$ (5,094)	$ 2,178

The accompanying notes are an integral part of these unaudited consolidated financial statements.

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(In thousands, except share and per share data)

	Common Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance at June 30, 2024	**21,264,327**	**$ 21,265**	**$ 79,963**	**$ (30,354)**	**$ (25,325)**	**$ 45,549**
Net loss	—	—	—	(5,002)	—	(5,002)
Cash flow hedges, net of taxes	—	—	—	—	(116)	(116)
Share-based compensation	—	—	495	—	—	495
Issuance of common stock and stock option exercises	3,896	3	(3)	—	—	—
Balance at September 30, 2024	**21,268,223**	**$ 21,268**	**$ 80,455**	**$ (35,356)**	**$ (25,441)**	**$ 40,926**
Net income	—	—	—	210	—	210
Cash flow hedges, net of taxes	—	—	—	—	(187)	(187)
Share-based compensation	—	—	541		—	541
Issuance of common stock and stock option exercises	83,173	83	(83)		—	—
Balance at December 31, 2024	**21,351,396**	**$ 21,351**	**$ 80,913**	**$ (35,146)**	**$ (25,628)**	**$ 41,490**

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(In thousands, except share and per share data)

	Common Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance at June 30, 2023	**20,142,973**	**$ 20,144**	**$ 77,278**	**$ (26,479)**	**$ (32,831)**	**$ 38,112**
Net loss	—	—	—	(1,307)	—	(1,307)
Cash flow hedges, net of taxes	—	—	—	—	(628)	(628)
401(k) compensation expense, including reclassifications	154,046	154	653	—	—	807
Share-based compensation	—	—	814	—	—	814
Issuance of common stock and stock option exercises	279,464	280	(280)	—	—	—
Balance at September 30, 2023	**20,576,483**	**$ 20,578**	**$ 78,465**	**$ (27,786)**	**$ (33,459)**	**$ 37,798**
Net income	—	—	—	2,704	—	2,704
Cash flow hedges, net of taxes	—	—	—	—	1,409	1,409
401(k) compensation expense, including reclassifications	171,786	172	740	—	—	912
Share-based compensation	—	—	438	—	—	438
Issuance of common stock and stock option exercises	45,687	45	(45)	—	—	—
Balance at December 31, 2023	**20,793,956**	**$ 20,795**	**$ 79,598**	**$ (25,082)**	**$ (32,050)**	**$ 43,261**

The accompanying notes are an integral part of these unaudited consolidated financial statements.

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Six Months Ended December 31,	
	2024	2023
Cash flows from operating activities:		
Net (loss) income	$ (4,792)	$ 1,397
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities		
Depreciation and amortization	5,817	5,792
Net losses (gains) on disposal of assets	3,193	(14,136)
Net losses on derivative instruments	3,183	429
401(k) and share-based compensation expense	1,037	2,970
Provision for credit losses	322	450
Change in operating assets and liabilities:		
Accounts receivable, net	(782)	13,044
Inventories	4,458	(6,193)
Derivative (liabilities) assets, net	(3,635)	(779)
Other assets	(115)	1,146
Accounts payable	(3,795)	(15,936)
Accrued expenses and other	155	949
Net cash provided by (used in) operating activities	5,046	(10,867)
Cash flows from investing activities:		
Sale of business	—	(1,214)
Purchases of property, plant and equipment	(5,362)	(6,853)
Proceeds from sales of property, plant and equipment	165	20,497
Net cash (used in) provided by investing activities	(5,197)	12,430
Cash flows from financing activities:		
Proceeds from Credit Facilities	7,000	2,279
Repayments on Credit Facilities	(7,000)	(2,000)
Payments of finance lease obligations	(96)	(96)
Payment of financing costs	(24)	(58)
Net cash (used in) provided by financing activities	(120)	125
Net (decrease) increase in cash and cash equivalents and restricted cash	(271)	1,688
Cash and cash equivalents and restricted cash at beginning of period	6,005	5,419
Cash and cash equivalents and restricted cash at end of period	$ 5,734	$ 7,107
Supplemental disclosure of non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 8,890	$ 6,456
Non-cash issuance of 401(K) common stock	—	326
Non cash additions to property, plant and equipment	54	52

The accompanying notes are an integral part of these unaudited consolidated financial statements.

FARMER BROS. CO.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Introduction and Basis of Presentation

Farmer Bros. Co., a Delaware corporation (including its consolidated subsidiaries unless the context otherwise requires, the "Company," or "Farmer Bros."), is a leading coffee roaster, wholesaler, equipment servicer and distributor of coffee, tea and other allied products. The Company serves a wide variety of customers, from small independent restaurants and foodservice operators to large institutional buyers like restaurants, department and convenience store retailers, hotels, casinos, healthcare facilities, and gourmet coffee houses, as well as grocery chains with private brand and consumer-branded coffee and tea products, and foodservice distributors.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States ("GAAP") for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation of the interim financial data have been included. Operating results for the three and six months ended December 31, 2024 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2025.

On June 30, 2023, the Company completed the sale of certain assets of the Company related to its direct ship and private label business, including the Company's production facility and corporate office building in Northlake, Texas, pursuant to that certain Asset Purchase Agreement dated as of June 6, 2023, by and between the Company and TreeHouse Foods, Inc. (the "Buyer"), as amended by that certain Amendment to the Asset Purchase Agreement, dated June 30, 2023.

The accompanying unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2024, filed with the Securities and Exchange Commission (the "SEC") on September 12, 2024, as amended by the Form 10-K/A filed on October 25, 2024 (as amended, the "2024 Form 10-K").

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its direct and indirect wholly owned subsidiaries. All intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company reviews its estimates on an ongoing basis using currently available information. Changes in facts and circumstances may result in revised estimates and actual results may differ from those estimates.

Note 2. Summary of Significant Accounting Policies

For a detailed discussion about the Company's significant accounting policies, see Note 2, "*Summary of Significant Accounting Policies,*" in the Notes to Consolidated Financial Statements in the 2024 Form 10-K.

During the three and six months ended December 31, 2024, there were no significant updates made to the Company's significant accounting policies.

Cash Equivalents

At December 31, 2024, we had $5.5 million of unrestricted cash and cash equivalents and $0.2 million in restricted cash on deposit in broker accounts to satisfy margin requirements associated with certain coffee-related derivative instruments resulting from an increase in the "C" market price of green coffee during the six months ended December 31, 2024. Further changes in commodity prices and the number of coffee-related derivative instruments held could have an impact on cash deposit requirements under our broker and counterparty agreements and may adversely affect our liquidity.

Concentration of Credit Risk

At December 31, 2024 and June 30, 2024, the financial instruments which potentially expose the Company to concentration of credit risk consist of cash in financial institutions (in excess of federally insured limits), derivative instruments and trade receivables.

The Company does not have any credit-risk related contingent features that would require it to post additional collateral in support of its net derivative liability positions.

The Company estimates its credit risk for accounts receivable at the amount recorded on the balance sheet. The accounts receivable are generally short-term and all estimated credit losses have been appropriately considered in establishing the allowance for credit losses. There were no individual customers with balances over 10% of the Company's accounts receivable balance.

Recent Accounting Pronouncements

The Company considers the applicability and impact of all Accounting Standards Updates ("ASUs") issued by the Financial Accounting Standards Board (the "FASB"). ASUs not listed below were assessed and either determined to be not applicable or expected to have minimal impact on its consolidated financial statements.

The following table provides a brief description of the recent ASUs applicable to the Company:

Standard	Description	Effective Date	Effect on the Financial Statements or Other Significant Matters
In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740)", Improvements to Income Tax Disclosures	The amendments in this Update address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information.	Effective for annual periods beginning after December 15, 2024.	The Company is still evaluating the impact of this standard.
In November 2023, the FASB issued ASU No. 2023-07, "Segment Reporting (Topic 280)", Improvements to Reportable Segment Disclosures.	The amendments in this Update are to improve the disclosures about a public entity's reportable segments and address requests from investors for additional, more detailed information about a reportable segment's expenses.	Effective for annual periods beginning after December 15, 2023.	The Company is still evaluating the impact of this standard.

Note 3. Leases

The Company has entered into leases for building facilities, vehicles and other equipment. The Company's leases have remaining contractual terms through April 30, 2030, some of which have options to extend the lease for up to 10 years. For purposes of calculating operating lease liabilities, lease terms are deemed not to include options to extend the lease renewal until it is reasonably certain that the Company will exercise that option. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of lease expense are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
(In thousands)	2024	2023	2024	2023
Operating lease expense	$ 4,904	$ 3,445	$ 9,134	$ 6,322
Finance lease expense:				
Amortization of finance lease assets	41	41	82	82
Interest on finance lease liabilities	4	7	8	13
Total lease expense	$ 4,949	$ 3,493	$ 9,224	$ 6,417

Maturities of lease liabilities are as follows:

	December 31, 2024	
(In thousands)	Operating Leases	Finance Leases
2025	$ 8,742	$ 96
2026	13,910	96
2027	8,734	—
2028	6,632	—
2029	3,353	—
Thereafter	346	—
Total lease payments	41,717	192
Less: interest	(4,337)	(4)
Total lease obligations	$ 37,380	$ 188

Lease term and discount rate:

	December 31, 2024	June 30, 2024
Weighted-average remaining lease terms (in years):		
Operating lease	4.0	5.2
Finance lease	1.0	1.5
Weighted-average discount rate:		
Operating lease	6.81 %	6.65 %
Finance lease	6.50 %	6.50 %

Other Information:

	Six Months Ended December 31,	
(In thousands)	**2024**	**2023**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 8,532	$ 6,319
Operating cash flows from finance leases	8	13
Financing cash flows from finance leases	96	96

Note 4. Derivative Instruments

Derivative Instruments Held

Coffee-Related Derivative Instruments

The Company is exposed to commodity price risk associated with its price to be fixed green coffee purchase contracts, which are described further in Note 2, "*Summary of Significant Accounting Policies*," in the Notes to the Consolidated Financial Statements in the 2024 Form 10-K. The Company utilizes forward and option contracts to manage exposure to the variability in expected future cash flows from forecasted purchases of green coffee attributable to commodity price risk. Certain of these coffee-related derivative instruments utilized for risk management purposes have been designated as cash flow hedges, while other coffee-related derivative instruments have not been designated as cash flow hedges or do not qualify for hedge accounting despite hedging the Company's future cash flows on an economic basis.

The following table summarizes the notional volumes for the coffee-related derivative instruments held by the Company at December 31, 2024 and June 30, 2024:

(In thousands)	December 31, 2024	June 30, 2024
Derivative instruments designated as cash flow hedges:		
Long coffee pounds	750	—
Derivative instruments not designated as cash flow hedges:		
Long coffee pounds	38	71
Total	788	71

Effect of Derivative Instruments on the Financial Statements

Balance Sheets

Fair values of derivative instruments on the Company's consolidated balance sheets:

	Derivative Instruments Designated as Cash Flow Hedges		Derivative Instruments Not Designated as Accounting Hedges	
(In thousands)	**December 31, 2024**	**June 30, 2024**	**December 31, 2024**	**June 30, 2024**
Financial Statement Location:				
Short-term coffee-related derivative assets	$ —	$ —	$ 550	$ 11
Long-term coffee-related derivative assets (1)	—	—	—	33
Short-term coffee-related derivative liabilities	5	—	2,619	730
Long-term coffee-related derivative liabilities (2)	—	—	—	1,505

(1) Included in "Other Assets" on the Company's consolidated balance sheets.
(2) Included in "Other long-term liabilities" on the Company's consolidated balance sheets.

Statements of Operations

The following table presents pretax net gains and losses for the Company's derivative instruments designated as cash flow hedges, as recognized in "AOCI" and "Cost of goods sold".

	Three Months Ended December 31,		Six Months Ended December 31,		Financial Statement Classification
(In thousands)	**2024**	**2023**	**2024**	**2023**	
Net gain (losses) recognized in AOCI - Coffee-related	(6)	606	1	151	AOCI
Net gains (losses) recognized in earnings - Coffee-related	181	(802)	303	(630)	Cost of goods sold

For the three and six months ended December 31, 2024 and 2023, there were no gains or losses recognized in earnings as a result of excluding amounts from the assessment of hedge effectiveness.

Net losses (gains) on derivative instruments in the Company's consolidated statements of cash flows include net (gains) losses on coffee-related derivative instruments designated as cash flow hedges reclassified to cost of goods sold from AOCI in the three and six months ended December 31, 2024 and 2023. Gains and losses on coffee-related derivative instruments not designated as accounting hedges are included in "Other, net" in the Company's consolidated statements of operations and in Net losses (gains) on derivative instruments in the Company's consolidated statements of cash flows.

Net gains and losses recorded in "Other, net" are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
(In thousands)	**2024**	**2023**	**2024**	**2023**
Net (losses) gains on coffee-related derivative instruments (1)	$ (2,055)	$ (1,177)	$ (3,486)	$ 202
Non-operating pension and other postretirement benefits	1,012	915	2,024	1,831
Other gains, net	2,076	586	2,245	1,162
Other, net	$ 1,033	$ 324	$ 783	$ 3,195

(1) Excludes net gains and losses on coffee-related derivative instruments designated as cash flow hedges recorded in cost of goods sold in the three and six months ended December 31, 2024 and 2023.

Statement of Comprehensive Income (Loss)

The following table provides the balances and changes in accumulated other comprehensive income (loss) related to derivative instruments for the indicated periods:

	Three Months Ended December 31,		Six Months Ended December 31,	
(In thousands)	**2024**	**2023**	**2024**	**2023**
Accumulated other comprehensive loss beginning balance	$ 269	$ 1,803	$ 154	$ 1,176
Net losses (gains) recognized in AOCI - Coffee-related	6	(606)	(1)	(151)
Net gains (losses) recognized in earnings - Coffee-related	181	(802)	303	(630)
Accumulated other comprehensive loss ending balance	$ 456	$ 395	$ 456	$ 395

Offsetting of Derivative Assets and Liabilities

The Company has agreements in place that allow for the financial right of offset for derivative assets and liabilities at settlement or in the event of default under the agreements. Additionally, under certain coffee derivative agreements, the Company maintains accounts with its counterparties to facilitate financial derivative transactions in support of its risk management activities.

The following table presents the Company's net exposure from its offsetting derivative asset and liability positions, as well as cash collateral on deposit with its counterparties as of the reporting dates indicated:

(In thousands)		**Gross Amount Reported on Balance Sheet**	**Netting Adjustments**	**Cash Collateral Posted**	**Net Exposure**
December 31, 2024	Derivative Assets	$ 550	$ (550)	$ —	$ —
	Derivative Liabilities	2,624	(550)	—	2,074
June 30, 2024	Derivative Assets	44	(44)	—	—
	Derivative Liabilities	2,235	(44)	—	2,191

Cash Flow Hedges

Changes in the fair value of the Company's coffee-related derivative instruments designated as cash flow hedges are deferred in AOCI and subsequently reclassified into cost of goods sold in the same period or periods in which the hedged forecasted purchases affect earnings, or when it is probable that the hedged forecasted transaction will not occur by the end of the originally specified time period. Based on recorded values at December 31, 2024, $11.0 thousand of net gains on coffee-related derivative instruments designated as a cash flow hedge are expected to be reclassified into cost of goods sold within the next 12 months. These recorded values are based on market prices of the commodities as of December 31, 2024.

Note 5. Fair Value Measurements

Assets and liabilities measured and recorded at fair value on a recurring basis were as follows:

(In thousands)	Total	Level 1	Level 2	Level 3
December 31, 2024				
Derivative instruments designated as cash flow hedges:				
Coffee-related derivative liabilities (1)	$ 5	$ —	$ 5	$ —
Derivative instruments not designated as accounting hedges:				
Coffee-related derivative assets (1)	550	—	550	—
Coffee-related derivative liabilities (1)	2,619	—	2,619	—
	Total	**Level 1**	**Level 2**	**Level 3**
June 30, 2024				
Coffee-related derivative assets (1)	44	—	44	—
Coffee-related derivative liabilities (1)	2,235	—	2,235	—

(1) The Company's coffee-related derivative instruments are traded over-the-counter and, therefore, classified as Level 2.

Note 6. Accounts Receivable, Net

(In thousands)	December 31, 2024	June 30, 2024
Trade receivables	$ 36,021	$ 34,438
Other receivables (1)	297	1,419
Allowance for credit losses	(710)	(710)
Accounts receivable, net	$ 35,608	$ 35,147

(1) Includes vendor rebates, transition services receivables and other non-trade receivables.

There was no material change in the allowance for credit losses during the six months ended December 31, 2024.

Note 7. Inventories

(In thousands)	December 31, 2024	June 30, 2024
Coffee		
Processed	$ 17,969	$ 22,432
Unprocessed	7,328	6,105
Total	$ 25,297	$ 28,537
Tea and culinary products		
Processed	24,186	25,166
Unprocessed	45	41
Total	$ 24,231	$ 25,207
Coffee brewing equipment parts	3,243	3,486
Total inventories	$ 52,771	$ 57,230

In addition to product cost, inventory costs include expenditures such as direct labor and certain supply, freight, warehousing, overhead variances, purchase price variance and other expenses incurred in bringing the inventory to its existing condition and location. The "Unprocessed" inventory values as stated in the above table represent the value of raw materials and the "Processed" inventory values represent all other products consisting primarily of finished goods.

Note 8. Property, Plant and Equipment

(In thousands)	December 31, 2024	June 30, 2024
Buildings and facilities	$ 20,676	$ 20,441
Machinery, vehicles and equipment	100,144	108,757
Capitalized software	9,713	9,190
Office furniture and equipment	7,341	8,486
	$ 137,874	$ 146,874
Accumulated depreciation	(107,808)	(113,790)
Land	918	918
Property, plant and equipment, net	$ 30,984	$ 34,002

Coffee Brewing Equipment ("CBE") and Service

Capitalized CBE included in machinery, vehicles and equipment above are:

(In thousands)	December 31, 2024	June 30, 2024
Coffee Brewing Equipment	$ 58,928	$ 66,596
Accumulated depreciation	(35,074)	(39,941)
Coffee Brewing Equipment, net	$ 23,854	$ 26,655

Depreciation expense related to capitalized CBE and other CBE related expenses provided to customers and reported in cost of goods sold were as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
(In thousands)	2024	2023	2024	2023
Depreciation expense in COGS	$ 1,850	$ 1,790	$ 3,738	$ 3,585
CBE Costs excl. depreciation exp	7,074	8,807	14,280	18,691

Other expenses related to CBE provided to customers, such as the cost of servicing that equipment (including service employees' salaries, cost of transportation and the cost of supplies and parts), are considered directly attributable to the generation of revenues from the customers. Therefore, these costs are included in cost of goods sold.

Note 9. Intangible Assets

The following is a summary of the Company's amortized and unamortized intangible assets:

		December 31, 2024			June 30, 2024		
(In thousands)	Weighted Average Amortization Period as of December 31, 2024	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Amortized intangible assets:							
Customer relationships	2.5	$ 33,003	$ (27,392)	$ 5,611	$ 33,003	$ (26,292)	$ 6,711
Unamortized intangible assets:							
Trademarks, trade names and brand name with indefinite lives		4,522	—	4,522	4,522	—	4,522
Total intangible assets		$ 37,525	$ (27,392)	$ 10,133	$ 37,525	$ (26,292)	$ 11,233

Aggregate amortization expense for the three months ended December 31, 2024 and 2023 was $0.5 million and $0.6 million, respectively. Aggregate amortization expense for the six months ended December 31, 2024 and 2023 was $1.1 million and $1.2 million, respectively.

Note 10. Employee Benefit Plans

Single Employer Pension Plans

As of December 31, 2024, the Company has two defined benefit pension plans for certain employees, the "Farmer Bros. Plan" and the "Hourly Employees' Plan." The Company froze benefit accruals and participation in these plans effective June 30, 2011 and October 1, 2016, respectively. After the plan freezes, participants do not accrue any benefits under the plan, and new hires are not eligible to participate in the plan.

The net periodic benefit cost for the defined benefit pension plans is as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
(In thousands)	**2024**	**2023**	**2024**	**2023**
Interest cost	$ 1,216	$ 1,204	$ 2,432	$ 2,408
Expected return on plan assets	(1,161)	(1,122)	(2,322)	(2,244)
Amortization of net loss (1)	149	207	298	413
Net periodic benefit cost	$ 204	$ 289	$ 408	$ 577

(1) These amounts represent the estimated portion of the net loss in AOCI that is expected to be recognized as a component of net periodic benefit cost over the current fiscal year.

Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost

	December 31, 2024	June 30, 2024
Discount rate	5.35%	5.05%
Expected long-term return on plan assets	7.00%	7.00%

Multiemployer Pension Plans

The Company participates in one multiemployer defined benefit pension plan that is union sponsored and collectively bargained for the benefit of certain employees subject to collective bargaining agreements, called the Western Conference of Teamsters Pension Plan ("WCTPP"). The Company makes contributions to this plan generally based on the number of hours worked by the participants in accordance with the provisions of negotiated labor contracts. The company also contributes to two defined contribution pension plans ("All Other Plans") that are union sponsored and collectively bargained for the benefit of certain employees subject to collective bargaining agreements.

Contributions made by the Company to the multiemployer pension plans were as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
(In thousands)	**2024**	**2023**	**2024**	**2023**
Contributions to WCTPP	$ 321	$ 356	$ 692	$ 672
Contributions to All Other Plans	10	10	20	18

Multiemployer Plans Other Than Pension Plans

The Company participates in nine multiemployer defined contribution plans other than pension plans that provide medical, vision, dental and disability benefits for active, union-represented employees subject to collective bargaining agreements. The plans are subject to the provisions of the Employee Retirement Income Security Act of 1974, and provide that participating employers make monthly contributions to the plans in an amount as specified in the collective bargaining agreements. Also, the plans provide that participants make self-payments to the plans, the amounts of which are negotiated through the collective bargaining process. The Company's participation in these plans is governed by collective bargaining agreements which expire on or before September 30, 2027.

401(k) Plan

Farmer Bros. Co. 401(k) Plan (the "401(k) Plan") is available to all eligible employees. The Company has a matching program that is available to all eligible employees who have worked more than 1,000 hours during a calendar year and were employed at the end of the calendar year. Participants in the 401(k) Plan may choose to contribute a percentage of their annual pay subject to the maximum contribution allowed by the Internal Revenue Service. The Company's matching contribution is discretionary, based on approval by the Company's Board of Directors.

Effective January 1, 2024, the Company amended the 401(k) matching program, whereby the Company on an annual basis will contribute cash for 100% of the first 3% each eligible employee contributes plus 50% on the next 2% they contribute.

Effective August 1, 2024, the Company temporarily suspended the 401(k) matching program.

Note 11. Debt Obligations

The following table summarizes the Company's debt obligations:

				December 31, 2024		June 30, 2024	
(In thousands)	**Debt Origination Date**	**Maturity**	**Principal Borrowing Amount**	**Carrying Value**	**Weighted Average Interest Rate**	**Carrying Value**	**Weighted Average Interest Rate**
Revolver	Various	4/26/2027	N/A	$ 23,300	6.75 %	$ 23,300	7.05 %

Revolver Facility

The Company maintains a senior secured credit facility composed of (a) the Revolver Credit Facility Agreement (as amended from time to time, the "Revolver Credit Facility Agreement") and various loan documents relating thereto including the Guaranty and Security Agreement, dated as of April 26, 2021 (the "Revolver Security Agreement" and, together with the Revolver Credit Facility Agreement, the "Revolver Agreements"), by and among the Borrowers, as grantors, and Wells Fargo, as administrative agent, and (b) a Credit Agreement, dated as of April 26, 2021 (the "Term Credit Facility Agreement") by and among the Borrowers, MGG Investment Group LP. ("MGG"), as administrative agent, and the lenders party thereto, and various loan documents relating thereto including the Guaranty and Security Agreement, dated as of April 26, 2021 (the "Term Security Agreement"), by and among the Borrowers, as grantors, and MGG, as administrative agent. The Revolver Credit Facility Agreement was subsequently amended by (i) that certain Increase Joinder and Amendment No. 2 to Credit Agreement, dated August 8, 2022, (ii) that certain Amendment No. 3 to Credit Agreement, dated August 31, 2022, (iii) that certain Consent and Amendment No. 4 to Credit Agreement, dated June 30, 2023 and (iv) that certain Consent and Amendment No. 5 to Credit Agreement, dated December 4, 2023. The Company has no outstanding loans under the Term Credit Facility Agreement. For a detailed discussion about the Company's Revolver Credit Facility Agreement and Term Credit Facility Agreement, see Note 13, "Debt Obligations" in the Notes to Consolidated Financial Statements in the 2024 Form 10-K.

The following is a summary description of the key terms of the Revolver Agreements as in effect as of the date hereof.

The Revolver Credit Facility Agreement, among other things, include:

1. a commitment of up to $75.0 million ("Revolver") calculated as the lesser of (a) $75.0 million or (b) the amount equal to the sum of (i) 85% of eligible accounts receivable (less a dilution reserve), plus (ii) the lesser of: (a) 80% of eligible raw material inventory, eligible in-transit inventory and eligible finished goods inventory (collectively, "Eligible Inventory"), and (b) 85% of the net orderly liquidation value of Eligible Inventory, minus (c) applicable reserve;
2. sublimit on letters of credit of $10.0 million;
3. maturity date of April 26, 2027 and has no scheduled payback required on the principal prior to the maturity date;
4. fully collateralized by all existing and future capital stock of the Borrowers (other than the Company) and all of the Borrowers' personal and real property;
5. interest under the Revolver is either if the relevant Obligation is a SOFR Loan, at a per annum rate equal to Term SOFR plus the SOFR Margin (1.75%), and otherwise, at a per annum rate equal to the Base Rate (the greater of the Federal Funds Rate + 0.5% or Term SOFR +1%) plus the Base Rate Margin (0.75%).; and
6. in the event that Borrowers' availability to borrow under the Revolver falls below $9.375 million, the financial covenant requires the Company to meet or exceed a fixed charge coverage ratio of at least 1.00:1.00 at all such times.

The Revolver Agreements contain customary affirmative and negative covenants and restrictions typical for a financing of this type that, among other things, require the Company to satisfy certain financial covenants and restrict the Company's and its subsidiaries' ability to incur additional debt, pay dividends and make distributions, make certain investments and acquisitions, repurchase its stock and prepay certain indebtedness, create liens, enter into agreements with affiliates, modify the nature of its business, transfer and sell material assets and merge or consolidate. Non-compliance with one or more of the covenants and restrictions could result in the full or partial principal balance of the Revolver Credit Facility Agreement becoming immediately due and payable and termination of the commitments.

There are no required principal payments on the Revolver debt obligation.

At December 31, 2024, the Company had outstanding borrowings on the Revolver Credit Facility of $23.3 million and had utilized $4.4 million of the letters of credit sublimit. At December 31, 2024, we had $23.7 million available for borrowing under our Revolver Credit Facility.

As of December 31, 2024, the Company was in compliance with all of the financial covenants under the Revolver Credit Facility Agreement. Furthermore, the Company believes it will be in compliance with the related financial covenants under this agreement for the next 12 months.

Note 12. Share-based Compensation

Farmer Bros. Co. Amended and Restated 2017 Long-Term Incentive Plan (the "2017 Plan")

As of December 31, 2024, there were 1,081,654 shares available under the 2017 Plan including shares that were forfeited under the prior plans for future issuance.

Farmer Bros. Co. 2020 Inducement Incentive Award Plan (the "2020 Inducement Plan")

As of December 31, 2024, there were 2,919 shares available under the 2020 Inducement Plan.

Non-qualified stock options with time-based vesting ("NQOs")

One-third of the total number of shares subject to each stock option vest ratably on each of the first three anniversaries of the grant date, contingent on continued employment, and subject to accelerated vesting in certain circumstances. There were no NQOs granted, exercised, cancelled or forfeited during the six months ended December 31, 2024.

As of December 31, 2024, there were 19,450 NQOs exercisable and outstanding with a weighted average remaining life of 1.7 years. The weighted average exercise price of NQO's was $17.75. The NQOs have an intrinsic value of zero at December 31, 2024.

Restricted Stock

The following table summarizes restricted stock activity for the six months ended December 31, 2024:

Outstanding and Nonvested Restricted Stock Awards:	Shares Awarded	Weighted Average Grant Date Fair Value ($)
Outstanding and nonvested at June 30, 2024	662,661	3.72
Granted	410,000	2.22
Vested/Released	(138,559)	3.77
Cancelled/Forfeited	(37,291)	3.20
Outstanding and nonvested at December 31, 2024	896,811	3.05

The weighted average grant date fair value of RSUs granted during the quarter ended December 31, 2024 and 2023 were $2.13 and $2.42, respectively. The total grant-date fair value of restricted stock granted during the six months ended December 31, 2024 was $0.9 million. The total fair value of awards vested during the six months ended December 31, 2024 and 2023 were $0.5 million and $0.6 million, respectively.

At December 31, 2024 and June 30, 2024, there was $1.7 million and $1.7 million, respectively, of unrecognized compensation cost related to restricted stock. The unrecognized compensation cost related to restricted stock at December 31, 2024 is expected to be recognized over the weighted average period of 1.3 years. Total compensation expense for restricted stock was $0.3 million and $0.4 million, respectively, in the three months ended December 31, 2024 and 2023. Total compensation expense for restricted stock was $0.7 million and $1.0 million, respectively, in the six months ended December 31, 2024 and 2023.

Performance-Based Restricted Stock Units ("PBRSUs")

The following table summarizes PBRSU activity for the six months ended December 31, 2024:

Outstanding and Nonvested PBRSUs:	PBRSUs Awarded	Weighted Average Grant Date Fair Value ($)
Outstanding and nonvested at June 30, 2024	394,576	2.95
Granted	530,000	2.21
Vested/Released	—	—
Cancelled/Forfeited	(45,000)	2.42
Outstanding and nonvested at December 31, 2024	879,576	2.53

The weighted average grant date fair value of PBRSUs granted during the quarter ended December 31, 2024 and 2023 was $2.21 and $2.42, respectively. The total grant-date fair value of PBRSU granted during the six months ended December 31, 2024 was $1.2 million. There were no PBRSU's vested during the six months ended December 31, 2024. The total fair value of awards vested during the six months ended December 31, 2023 was $0.3 million, respectively.

At December 31, 2024 and June 30, 2024, there was $1.4 million and $0.9 million, respectively, of unrecognized PBRSU compensation cost. The unrecognized PBRSU compensation cost at December 31, 2024 is expected to be recognized over the weighted average period of 2.2 years. Total compensation expense for PBRSUs was $0.2 million and $22 thousand, respectively, for the three months ended December 31, 2024 and 2023. Total compensation expense for PBRSUs was $0.4 million and $0.2 million, respectively, for the six months ended December 31, 2024 and 2023.

Cash-Settled Restricted Stock Units ("CSRSUs")

CSRSUs vest in equal installments over a three-year period from the grant date, and are cash-settled upon vesting based on the closing share price of Common Stock on the vesting date.

The CSRSUs are accounted for as liability awards, and compensation expense is measured at fair value on the date of grant and recognized on a straight-line basis over the vesting period net of forfeitures. Compensation expense is remeasured at each reporting date with a cumulative adjustment to compensation cost during the period based on changes in the closing share price of Common Stock.

The following table summarizes CSRSU activity for the six months ended December 31, 2024:

Outstanding and Nonvested CSRSUs:	CSRSUs Awarded	Weighted Average Grant Date Fair Value ($)
Outstanding and nonvested at June 30, 2024	619,327	2.94
Granted	602,000	2.13
Vested/Released	(211,673)	3.27
Cancelled/Forfeited	(35,291)	3.24
Outstanding and nonvested at December 31, 2024	974,363	2.36

The weighted average grant date fair value of CRSUs granted during the quarter ended December 31, 2024 and 2023 was $2.13 and $2.42, respectively. The total grant-date fair value of CRSU granted during the six months ended December 31, 2024 was $1.3 million. The total fair value of awards vested was $0.4 million and $0.2 million during the six months ended December 31, 2024 and 2023, respectively.

At December 31, 2024 and June 30, 2024, there was $1.6 million and $1.6 million, respectively, of unrecognized compensation cost related to CSRSU. The unrecognized compensation cost related to CSRSU at December 31, 2024 is expected to be recognized over the weighted average period of 1.7 years. Total compensation expense for CSRSUs was $0.2 million and $0.1 million, respectively for the three months ended December 31, 2024 and 2023. Total compensation expense for CSRSUs was $0.4 million and $0.2 million, respectively for the six months ended December 31, 2024 and 2023.

Note 13. Other Current Liabilities

Other current liabilities consist of the following:

(In thousands)	December 31, 2024	June 30, 2024
Accrued workers' compensation liabilities	$ 886	$ 481
Finance lease liabilities	161	193
Other (1)	2,602	2,323
Other current liabilities	$ 3,649	$ 2,997

(1) Includes accrued property taxes, sales and use taxes and insurance liabilities.

Note 14. Other Long-Term Liabilities

Other long-term liabilities include the following:

(In thousands)	December 31, 2024	June 30, 2024
Derivative liabilities non-current	$ —	$ 1,505
Deferred compensation (1)	199	505
Finance lease liabilities	27	101
Other long-term liabilities	$ 226	$ 2,111

(1) Includes payroll taxes and cash-settled restricted stock units liabilities.

Note 15. Income Taxes

The income tax expense and the related effective tax rates are as follows (in thousands, except effective tax rate):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2024	2023	2024	2023
Income tax (benefit) expense	$ (81)	$ 164	$ 52	$ 32
Effective tax rate	(62.8)%	5.7 %	(1.1)%	2.2 %

The Company's interim tax provision is determined using an estimated annual effective tax rate and adjusted for discrete taxable events that may occur during the quarter. The Company recognizes the effects of tax legislation in the period in which the law is enacted. Deferred tax assets and liabilities are remeasured using enacted tax rates expected to apply to taxable income in the years the Company estimates the related temporary differences to reverse. The Company evaluates its deferred tax assets quarterly to determine if a valuation allowance is required. In making such assessment, significant weight is given to evidence that can be objectively verified, such as recent operating results, and less consideration is given to less objective indicators such as future income projections.

Tax benefit in the three months ended December 31, 2024 was $81 thousand compared to tax expense of $164 thousand in the three months ended December 31, 2023, which primarily relates to state income tax. Tax expense in the six months ended December 31, 2024 was $52 thousand compared to $32 thousand in the six months ended December 31, 2023, which primarily relates to state income tax.

The Company files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by U.S. federal, state and local tax authorities. With limited exceptions, as of December 31, 2024, the Company is no longer subject to income tax audits by taxing authorities for any years prior to June 30, 2021. Although the outcome of tax audits is always uncertain, the Company does not believe the outcome of any future audit will have a material adverse effect on the Company's consolidated financial statements.

Note 16. Net (Loss) Income Per Common Share

Basic net (loss) income per common share is calculated by dividing net (loss) income attributable to the Company by the weighted average number of common shares outstanding during the periods presented. Diluted net (loss) income per common share is calculated by dividing diluted net (loss) income attributable to the Company by the weighted average number of common shares outstanding adjusted to include the effect, if dilutive, of the exercise of in-the-money stock options, unvested performance-based restricted stock units, and RSUs, during the periods presented. The calculation of dilutive shares outstanding excludes out-of-the-money stock options (i.e., such option's exercise prices were greater than the average market price of our common shares for the period). Potentially dilutive securities include unvested RSUs and performance-based restricted stock units. For the three and six months ended December 31, 2024, respectively, shares of the Company's outstanding stock options were not included in the computation of diluted (loss) income per common share as their effects were anti-dilutive. For the three and six months ended December 31, 2023, shares of the Company's outstanding stock options were not included in the computation of diluted (loss) income per common share as their effects were anti-dilutive.

The following table presents the computation of basic and diluted net earnings income (loss) per common share:

	Three Months Ended December 31,		Six Months Ended December 31,	
(In thousands, except share and per share amounts)	2024	2023	2024	2023
Net income (loss) from operations available to common stockholders	$ 210	$ 2,704	$ (4,792)	$ 1,397
Weighted average shares outstanding - basic	21,314,911	20,728,699	21,289,073	20,565,492
Effect of dilutive securities:				
Shares issuable under RSUs and PBSRUs	1,042,788	188,863	—	174,811
Weighted average common shares outstanding - diluted	22,357,699	20,917,562	21,289,073	20,740,303
Net income (loss) per common share available to stockholders—basic and diluted	$ 0.01	$ 0.13	$ (0.23)	$ 0.07

Note 17. Revenue Recognition

The Company's primary sources of revenue are sales of coffee, tea and culinary products. The Company recognizes revenue when control of the promised good or service is transferred to the customer and in amounts that the Company expects to collect. The timing of revenue recognition takes into consideration the various shipping terms applicable to the Company's sales.

The Company delivers products to customers through Direct-store-delivery ("DSD") to the Company's customers at their place of business and directly from the Company's warehouse to the customer's warehouse, facility or address. Each delivery or shipment made to a third party customer is to satisfy a performance obligation. Performance obligations generally occur at a point in time and are satisfied when control of the goods passes to the customer. The Company is entitled to collection of the sales price under normal credit terms in the regions in which it operates.

The Company disaggregates net sales from contracts with customers based on the characteristics of the products sold:

	Three Months Ended December 31,				Six Months Ended December 31,			
	2024		2023		2024		2023	
(In thousands)	**$**	**% of total**	**$**	**% of total**	**$**	**% of total**	**$**	**% of total**
Net Sales by Product Category:								
Coffee (Roasted)	$ 42,354	47.0 %	$ 42,005	47.0 %	$ 81,586	46.6 %	$ 79,896	46.6 %
Tea & Other Beverages (1)	25,302	28.1 %	24,190	27.0 %	49,072	28.0 %	44,424	25.9 %
Culinary	15,992	17.8 %	16,592	18.5 %	31,546	18.0 %	33,503	19.6 %
Spices	5,154	5.7 %	5,378	6.0 %	10,443	6.0 %	10,990	6.4 %
Delivery Surcharge	1,219	1.4 %	1,288	1.5 %	2,439	1.4 %	2,527	1.5 %
Net sales	$ 90,021	100.0 %	$ 89,453	100.0 %	$ 175,086	100.0 %	$ 171,340	100.0 %

(1) Includes all beverages other than roasted coffee, including frozen liquid coffee, and iced and hot tea, including cappuccino, cocoa, granitas, and concentrated and ready-to drink cold brew and iced coffee.

The Company does not have any material contract assets and liabilities as of December 31, 2024. Receivables from contracts with customers are included in "Accounts receivable, net" on the Company's consolidated balance sheets.

Note 18. Commitments and Contingencies

For a detailed discussion about the Company's commitments and contingencies, see Note 19, "Commitments and Contingencies" in the Notes to Consolidated Financial Statements in the 2024 Form 10-K. During the six months ended December 31, 2024, other than the following, or as otherwise disclosed herein, there were no material changes in the Company's commitments and contingencies.

Purchase Commitments

As of December 31, 2024, the Company had committed to purchase green coffee inventory totaling $29.3 million under fixed-price contracts, and $10.5 million in inventory and other purchases under non-cancelable purchase orders.

Legal Proceedings

The Company is a party to various pending legal and administrative proceedings. It is management's opinion that the outcome of such proceedings will not have a material impact on the Company's financial position, results of operations, or cash flows. The Company had a $1.9 million legal settlement for the quarter ending December 31, 2024.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Quarterly Report on Form 10-Q and other documents we file with the SEC contain "forward-looking statements" withing the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act, that are based on current expectations, estimates, forecasts and projections about us, our future performance, our financial condition, our products, our business strategy, our beliefs and our management's assumptions. In addition, we, or others on our behalf, may make forward-looking statements in press releases or written statements, or in our communications and discussions with investors and analysts in the normal course of business through meetings, webcasts, phone calls and conference calls. These forward-looking statements can be identified by the use of words like "anticipates," "estimates," "projects," "expects," "plans," "believes," "intends," "will," "could," "may," "assumes" and other words of similar meaning. These statements are based on management's beliefs, assumptions, estimates and observations of future events based on information available to our management at the time the statements are made and include any statements that do not relate to any historical or current fact. These statements are not guarantees of future performance and they involve certain risks, uncertainties and assumptions that are difficult to predict. Actual outcomes and results may differ materially from what is expressed, implied or forecast by our forward-looking statements due in part to the risks, uncertainties and assumptions set forth in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2024 filed with the SEC on September 12, 2024, as amended by the Form 10-K/A filed on October 25, 2024 (as amended, the "2024 Form 10-K"), as well as those discussed elsewhere in this Quarterly Report on Form 10-Q and other factors described from time to time in our filings with the SEC.

Factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, severe weather; levels of consumer confidence in national and local economic business conditions; developments related to pricing cycles and volumes; the impact of labor market conditions; the increase of costs due to inflation; an economic downturn caused by any pandemic, epidemic or other disease outbreak; the success of our turnaround strategy; the impact of capital improvement projects; the adequacy and availability of capital resources to fund our existing and planned business operations and our capital expenditure requirements; our ability to meet financial covenant requirements in our Credit Facility, which could impact, among other things, our liquidity; the relative effectiveness of compensation-based employee incentives in causing improvements in our performance; the capacity to meet the demands of our large national account customers; the extent of execution of plans for the growth of our business and achievement of financial metrics related to those plans, our success in retaining and/or attracting qualified employees; our success in adapting to technology and new commerce channels; the effect of the capital markets as well as other external factors on stockholder value; fluctuations in availability and cost of green coffee; competition; organizational changes; the effectiveness of our hedging strategies in reducing price; changes in consumer preferences; our ability to provide sustainability in ways that do not materially impair profitability; changes in the strength of the economy, including any effects from inflation; business conditions in the coffee industry and food industry in general; our continued success in attracting new customers; variances from budgeted sales mix and growth rates; weather and special or unusual events, as well as other risks described in this Quarterly Report on Form 10-Q and other factors described from time to time in our filings with the SEC.

Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results. Any or all of the forward-looking statements contained in this Quarterly Report on Form 10-Q and any other public statement made by us, including by our management, may turn out to be incorrect. We are including this cautionary note to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for forward-looking statements. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise, except as required under federal securities laws and the rules and regulations of the SEC.

Financial Data Highlights (in thousands, except per share data and percentages)

	Three Months Ended December 31,		Favorable (Unfavorable)		Six Months Ended December 31,		Favorable (Unfavorable)	
	2024	2023	Change	% Change	2024	2023	Change	% Change
Income Statement Data:								
Net sales	$ 90,021	$ 89,453	$568	0.6%	$ 175,086	$ 171,340	$ 3,746	2.2%
Gross margin	43.1 %	40.4 %	2.7%	NM	43.5 %	39.0 %	4.5 %	NM
Operating expenses as a % of sales	42.0 %	35.4 %	(6.6)%	NM	44.5 %	37.7 %	(6.8)%	NM
Income (loss) from operations	$ 1,018	$ 4,451	$(3,433)	(77.1)%	$ (1,810)	$ 2,363	$ (4,173)	(176.6)%
Net income (loss)	$ 210	$ 2,704	$(2,494)	(92.2)%	$ (4,792)	$ 1,397	$ (6,189)	(443.0)%
Operating Data:								
Coffee pounds	5,332	5,812	(480)	(8.3)%	10,195	11,309	(1,114)	(9.9)%
EBITDA (1)	$ 3,743	$ 6,404	$(2,661)	(41.6)%	$ 2,335	$ 8,920	$ (6,585)	(73.8)%
EBITDA Margin (1)	4.2 %	7.2 %	(3.0)%	NM	1.3 %	5.2 %	(3.9)%	NM
Adjusted EBITDA (1)	$ 5,899	$ 2,311	$3,588	155.3%	$ 7,317	$ 1,860	$ 5,457	293.4%
Adjusted EBITDA Margin (1)	6.6 %	2.6 %	4.0%	NM	4.2 %	1.1 %	3.1 %	NM
Percentage of Total Net Sales By Product Category								
Coffee (Roasted)	47.0 %	47.0 %	—%	—%	46.6 %	46.6 %	—%	—%
Tea & Other Beverages (2)	28.1 %	27.0 %	1.1%	4.1%	28.0 %	25.9 %	2.1%	8.1%
Culinary	17.8 %	18.5 %	(0.7)%	(3.8)%	18.0 %	19.6 %	(1.6)%	(8.2)%
Spices	5.7 %	6.0 %	(0.3)%	(5.0)%	6.0 %	6.4 %	(0.4)%	(6.3)%
Delivery Surcharge	1.4 %	1.5 %	(0.1)%	NM	1.4 %	1.5 %	(0.1)%	NM
Net sales	100.0 %	100.0 %	— %	NM	100.0 %	100.0 %	—%	NM
Other data:								
Total capital expenditures	2,032	3,342	1,310	39.2 %	5,362	6,853	1,491	21.8%
Depreciation and amortization expense	2,920	2,844	(76)	(2.7) %	5,817	5,792	(25)	(0.4)%

NM - Not Meaningful

(1) EBITDA, EBITDA Margin, Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. See " Non-GAAP Financial Measures" below for a reconciliation of these non-GAAP measures to their corresponding GAAP measures, as well as a discussion of certain changes we made to our methodology for calculating Adjusted EBITDA beginning with the period ending June 30, 2024.
(2) Includes all beverages other than roasted coffee, frozen liquid coffee, and iced and hot tea, including cappuccino, cocoa, granitas, and concentrated and ready-to-drink cold brew and iced coffee.

Results of Operations

The following table sets forth information regarding our consolidated results of operations for the three and six months ended December 31, 2024 and 2023 (in thousands, except percentages):

	Three Months Ended December 31,		Favorable (Unfavorable)		Six Months Ended December 31,		Favorable (Unfavorable)	
	2024	2023	Change	% Change	2024	2023	Change	% Change
Net sales	$ 90,021	$ 89,453	$568	0.6%	$ 175,086	$ 171,340	$3,746	2.2%
Cost of goods sold	51,182	53,344	2,162	4.1%	98,930	104,444	5,514	5.3%
Gross profit	38,839	36,109	2,730	7.6%	76,156	66,896	9,260	13.8%
Selling expenses	26,760	28,141	1,381	4.9%	53,987	54,969	982	1.8%
General and administrative expenses	9,534	9,655	121	1.3%	20,786	22,486	1,700	7.6%
Net losses (gains) on disposal of assets	1,527	(6,138)	(7,665)	NM	3,193	(12,922)	(16,115)	NM
Operating expenses	37,821	31,658	(6,163)	(19.5)%	77,966	64,533	(13,433)	(20.8)%
Income (loss) from operations	1,018	4,451	(3,433)	(77.1)%	(1,810)	2,363	(4,173)	NM
Other (expense) income:								
Interest expense	(1,922)	(1,907)	(15)	(0.8)%	(3,713)	(4,129)	416	10.1%
Other, net	1,033	324	709	NM	783	3,195	(2,412)	NM
Total other (expense) income	(889)	(1,583)	694	NM	(2,930)	(934)	(1,996)	NM
Income (loss) before taxes	129	2,868	(2,739)	(95.5)%	(4,740)	1,429	(6,169)	(431.7)%
Income tax (benefit) expense	(81)	164	245	NM	52	32	(20)	(62.5)%
Net income (loss)	$ 210	$ 2,704	$(2,494)	(92.2)%	$ (4,792)	$ 1,397	$(6,189)	(443.0)%

NM - Not Meaningful

Three and Six Months Ended December 31, 2024 Compared to Three and Six Months Ended December 31, 2023

Net Sales

Net sales in the three months ended December 31, 2024 increased $0.6 million, or 0.6%, to $90.0 million from $89.5 million in the three months ended December 31, 2023. The increase in net sales for the three months ended December 31, 2024 was primarily due to higher pricing compared to the prior period.

Net sales in the six months ended December 31, 2024 increased $3.7 million, or 2.2%, to $175.1 million from $171.3 million in the six months ended December 31, 2023. The increase in net sales for the six months ended December 31, 2024 was primarily due to higher pricing compared to the prior period.

The following table presents the effect of changes in unit sales, and unit pricing and product mix in the six months ended December 31, 2024 compared to the same period in the prior fiscal year (in millions):

	Three Months Ended December 31, 2024 vs. 2023	Six Months Ended December 31, 2024 vs. 2023
Effect of change in unit sales	$ (9.9)	$ (19.7)
Effect of pricing and product mix changes	10.5	23.4
Total increase in net sales	$ 0.6	$ 3.7

Unit sales decreased 10.0%, and average unit price increased by 12.0% in the three months ended December 31, 2024 as compared to the same period in the prior fiscal year, resulting in an increase in our net sales of 0.6%. Average unit price increased during the three months ended December 31, 2024 primarily due to price increases.

Unit sales decreased 10.3%, and average unit price increased by 13.9% in the six months ended December 31, 2024 as compared to the same period in the prior fiscal year, resulting in an increase in our net sales of 2.2%. Average unit price increased during the six months ended December 31, 2024 primarily due to price increases. There were no new product category introductions which had a material impact on our net sales in the six months ended December 31, 2024 or 2023.

Gross Profit

Gross profit increased to $38.8 million for the three months ended December 31, 2024, compared to $36.1 million for the three months ended December 31, 2023. Gross margin increased to 43.1% for the three months ended December 31, 2024 from 40.4% for the three months ended December 31, 2023. The increase in gross profit was primarily due to improved pricing compared to the same period in the prior fiscal year.

Gross profit increased to $76.2 million for the six months ended December 31, 2024, compared to $66.9 million for the six months ended December 31, 2023. Gross margin increased to 43.5% for the six months ended December 31, 2024 from

39.0% for the six months ended December 31, 2023. The increase in gross profit was primarily due to improved pricing compared to the same period in the prior fiscal year.

Operating Expenses

In the three months ended December 31, 2024, operating expenses increased $6.2 million to $37.8 million, or 42.0% of net sales, from $31.7 million, or 35.4% of net sales in the prior year period. For the three months ended December 31, 2024, there was a $1.5 million loss on disposal of assets compared to a $6.1 million gain on disposal of assets for three months ended December 31, 2023 as there were no branch sales during the six months ended December 31, 2024. Operating expenses as a percentage of sales excluding net losses (gains) on disposal of assets was 40.3% and 42.3% for the three months ended December 31, 2024 and December 31, 2023, respectively. There was a $1.4 million decrease in selling expenses and a $0.1 million decrease in general and administrative expenses. The decrease in selling expenses during the three months ended December 31, 2024 was primarily due to compensation related cost. The decrease in general and administrative expenses during the three months ended December 31, 2024 was primarily due to a decrease in severance costs offset by an increase in insurance related costs.

In the six months ended December 31, 2024, operating expenses increased $13.4 million to $78.0 million, or 44.5% of net sales, from $64.5 million, or 37.7% of net sales in the prior year period. For the six months ended December 31, 2024, there was a $3.2 million loss on disposal of assets compared to a $12.9 million gain on disposal of assets for six months ended December 31, 2023 as there were no branch sales during the six months ended December 31, 2024. Operating expenses as a percentage of sales excluding net losses (gains) on disposal of assets was 42.7% and 45.2% for the six months ended December 31, 2024 and December 31, 2023, respectively. There was a $1.0 million decrease in selling expenses and a $1.7 million decrease in general and administrative expenses. The decrease in selling expenses during the six months ended December 31, 2024 was primarily due to compensation related cost. The decrease in general and administrative expenses during the six months ended December 31, 2024 was primarily due to a decrease in severance costs offset by an increase in insurance related costs.

Total Other Expense

Interest expense in the three months ended December 31, 2024 remained flat at $1.9 million compared to the prior year period.

Other, net was a gain of $1.0 million in the three months ended December 31, 2024 compared to $0.3 million gain in the prior year period. The $0.7 million change was primarily a result of a $1.9 million legal settlement offset by net losses on coffee-related derivative instruments not designated as accounting hedges in the current period compared to net gains in the prior year period.

Interest expense in the six months ended December 31, 2024 decreased $0.4 million to $3.7 million from $4.1 million in the prior year period. The decrease is primarily related to lower supplier interest expense.

Other, net was a gain of $0.8 million in the six months ended December 31, 2024 compared to $3.2 million gain in the prior year period. The $2.4 million change was primarily related to net losses on coffee-related derivative instruments not designated as accounting hedges in the current period compared to net gains in the prior year period.

Income Taxes

In the three months ended December 31, 2024 and December 31, 2023, we recorded income tax benefit of $81 thousand and an income tax expense of $164 thousand, respectively. In the six months ended December 31, 2024 and December 31, 2023, we recorded income tax expense of $52 thousand and $32 thousand, respectively. See Note 15, *Income Taxes*, of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Non-GAAP Financial Measures

In addition to net income (loss) determined in accordance with U.S. generally accepted accounting principles ("GAAP"), we use the following non-GAAP financial measures in assessing our operating performance:

"EBITDA" is defined as net income (loss) excluding the impact of:

- income tax expense (benefit);
- interest expense; and
- depreciation and amortization expense.

"EBITDA Margin" is defined as EBITDA expressed as a percentage of net sales.

"Adjusted EBITDA" is defined as net income (loss) excluding the impact of:

- income tax expense (benefit);
- interest expense;
- depreciation and amortization expense;
- 401(k) and share-based compensation expense;
- net losses (gains) on disposal of assets; and
- severance costs.

"Adjusted EBITDA Margin" is defined as Adjusted EBITDA expressed as a percentage of net sales.

For purposes of calculating EBITDA and EBITDA Margin, Adjusted EBITDA and Adjusted EBITDA Margin, we have excluded the impact of interest expense resulting from non-cash pretax pension and postretirement benefits. For purposes of calculating Adjusted EBITDA and Adjusted EBITDA Margin, beginning with the period ended June 30, 2024 and any period thereafter, we are also excluding the impact of the loss related to sale of business, as this item is not reflective of our ongoing operating results.

We believe these non-GAAP financial measures provide a useful measure of the Company's operating results, a meaningful comparison with historical results and with the results of other companies, and insight into the Company's ongoing operating performance. Further, management utilizes these measures, in addition to GAAP measures, when evaluating and comparing the Company's operating performance against internal financial forecasts and budgets.

We believe that EBITDA facilitates operating performance comparisons from period to period by isolating the effects of certain items that vary from period to period without any correlation to core operating performance or that vary widely among similar companies. These potential differences may be caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation of facilities and equipment (affecting relative depreciation expense). We also present EBITDA and EBITDA Margin because (i) we believe that these measures are frequently used by securities analysts, investors and other interested parties to evaluate companies in our industry, (ii) we believe that investors will find these measures useful in assessing our ability to service or incur indebtedness, and (iii) we use these measures internally as benchmarks to compare our performance to that of our competitors.

EBITDA, EBITDA Margin, Adjusted EBITDA and Adjusted EBITDA Margin, as defined by us, may not be comparable to similarly titled measures reported by other companies. We do not intend for non-GAAP financial measures to be considered in isolation or as a substitute for other measures prepared in accordance with GAAP.

Set forth below is a reconciliation of reported net income (loss) to EBITDA (unaudited):

	Three Months Ended December 31,		Six Months Ended December 31,	
(In thousands)	**2024**	**2023**	**2024**	**2023**
Net income (loss)	$ 210	$ 2,704	$ (4,792)	$ 1,397
Income tax (benefit) expense	(81)	164	52	32
Interest expense (1)	694	692	1,258	1,699
Depreciation and amortization expense	2,920	2,844	5,817	5,792
EBITDA	$ 3,743	$ 6,404	$ 2,335	$ 8,920
EBITDA Margin	4.2 %	7.2 %	1.3 %	5.2 %

(1) Excludes interest expense related to pension plans and postretirement benefit plans.

Set forth below is a reconciliation of reported net income (loss) to Adjusted EBITDA (unaudited):

(In thousands)	Three Months Ended December 31, 2024	Three Months Ended December 31, 2023	Six Months Ended December 31, 2024	Six Months Ended December 31, 2023
Net income (loss)	$ 210	$ 2,704	$ (4,792)	$ 1,397
Income tax (benefit) expense	(81)	164	52	32
Interest expense (1)	694	692	1,258	1,699
Depreciation and amortization expense	2,920	2,844	5,817	5,792
401(k) and share-based compensation expense	541	1,350	1,037	2,902
Net losses (gains) on disposal of assets	1,527	(7,352)	3,193	(14,136)
Loss related to sale of business (2)	—	1,214	—	1,214
Severance costs	88	695	752	2,960
Adjusted EBITDA	$ 5,899	$ 2,311	$ 7,317	$ 1,860
Adjusted EBITDA Margin	6.6 %	2.6 %	4.2 %	1.1 %

(1) Excludes interest expense related to pension plans and postretirement benefit plans.
(2) Result of the settlements related to the divestiture of Direct Ship business which included gains related to coffee hedges and settlement of liabilities.

Our Business

We are a leading coffee roaster, wholesaler, equipment servicer and distributor of coffee, tea and other allied products manufactured under our owned brands, as well as under private labels on behalf of certain customers. We were founded in 1912, incorporated in California in 1923, and reincorporated in Delaware in 2004. Our principal office is located in Fort Worth, Texas. We operate in one business segment.

We serve a wide variety of customers, from small independent restaurants and foodservice operators to large institutional buyers like restaurants, department and convenience store retailers, hotels, casinos, healthcare facilities, and gourmet coffee houses, as well as grocery chains with private brand and consumer-branded coffee and tea products, and foodservice distributors. Through our sustainability, stewardship, environmental efforts, and leadership we are not only committed to serving the finest products available, considering the cost needs of the customer, but also focus on their sustainable cultivation, manufacture and distribution whenever possible.

Our product categories consist of a robust line of roast and ground coffee, including organic, Direct Trade, Project D.I.R.E.C.T.®, Fair Trade Certified™ ® and other sustainably-produced offerings; frozen liquid coffee; flavored and unflavored iced and hot teas; including organic and Rainforest Alliance Certified™; culinary products including premium spices, pancake and biscuit mixes, gravy and sauce mixes, soup bases, dressings, syrups and sauces, and coffee-related products such as coffee filters, cups, sugar and creamers; and other beverages including cappuccino, cocoa, granitas, and other blender-based beverages and concentrated and ready-to-drink cold brew and iced coffee. We offer a comprehensive approach to our customers by providing not only a breadth of high-quality products, but also value added services such as market insight, beverage planning, and equipment placement and service.

We operate a production facility in Portland, Oregon. We distribute our products from our Portland, Oregon production facility, as well as separate distribution centers in Northlake, Illinois; Moonachie, New Jersey; and Rialto, California. Our products reach our customers primarily through our nationwide DSD network of 239 delivery routes and 100 branch warehouses as of December 31, 2024. DSD sales are primarily made "off-truck" to our customers at their places of business. We operate a large fleet of trucks and other vehicles to distribute and deliver our products through our DSD network, and we rely on 3PL service providers for our long-haul distribution.

Liquidity, Capital Resources and Financial Condition

The following table summarizes our debt obligations:

(In thousands)	Debt Origination Date	Maturity	Principal Borrowing Amount	December 31, 2024 Carrying Value	December 31, 2024 Weighted Average Interest Rate (1)	June 30, 2024 Carrying Value	June 30, 2024 Weighted Average Interest Rate (1)
Revolver	Various	4/26/2027	N/A	$ 23,300	6.75 %	$ 23,300	7.05 %

The revolver under the Credit Facility has a commitment of up to $75.0 million and a maturity date of April 26, 2027. Availability under the revolver is calculated as the lesser of (a) $75.0 million or (b) the amount equal to the sum of (i) 85% of eligible accounts receivable (less a dilution reserve), plus (ii) the lesser of: (a) 80% of eligible raw material inventory, eligible in-transit inventory and eligible finished goods inventory (collectively, "Eligible Inventory"), and (b) 85% of the net orderly liquidation value of Eligible Inventory, minus (c) applicable reserve. The Term Loan under the Term Credit Facility was fully paid down on June 30, 2023.

The Credit Facility contains customary affirmative and negative covenants and restrictions typical for a financing of this type. Non-compliance with one or more of the covenants and restrictions could result in the full or partial principal balance of the Credit Facility becoming immediately due and payable and termination of the commitments. As of and through December 31, 2024, we were in compliance with all of the covenants under the Credit Facility.

The Credit Facility provides us with increased flexibility to proactively manage our liquidity and working capital, while maintaining compliance with our debt financial covenants, and preserving financial liquidity to mitigate the impact of the uncertain business environment and continue to execute on key strategic initiatives.

At December 31, 2024, the Company had outstanding borrowings on the Revolver Credit Facility of $23.3 million and had utilized $4.4 million of the letters of credit sublimit.

Liquidity

We generally finance our operations through cash flows from operations and borrowings under our Credit Facility described above. In light of our financial position, operating performance and current economic conditions, including the state of the global capital markets, there can be no assurance as to whether or when we will be able to raise capital by issuing securities. We believe that the Credit Facility, to the extent available, in addition to our cash flows from operations, collectively, will be sufficient to fund our working capital and capital expenditure requirements for the next 12 months and beyond.

At December 31, 2024, we had $5.5 million of unrestricted cash and cash equivalents and $0.2 million in restricted cash. Further changes in commodity prices and the number of coffee-related derivative instruments held could have a significant impact on cash deposit requirements under our broker and counterparty agreements and may adversely affect our liquidity. At December 31, 2024, we had $23.7 million available on our Revolver Credit Facility.

Cash Flows

The significant captions and amounts from our consolidated statements of cash flows are summarized below:

	Six Months Ended December 31,	
	2024	**2023**
Consolidated Statements of cash flows data (in thousands)		
Net cash provided by (used in) operating activities	$ 5,046	$ (10,867)
Net cash (used in) provided by investing activities	(5,197)	12,430
Net cash (used in) provided by financing activities	(120)	125
Net (decrease) increase in cash and cash equivalents and restricted cash	$ (271)	$ 1,688

Operating Activities

Net cash provided by operating activities during the six months ended December 31, 2024 was $5.0 million as compared to net cash used in operating activities of $10.9 million in the six months ended December 31, 2023, an increase in cash provided by operations of $15.9 million. The change was driven primarily from an increase in gross profit and a decrease in inventories partially offset by a decrease in accounts payable.

Investing Activities

Net cash used in investing activities during the six months ended December 31, 2024 was $5.2 million as compared to net cash provided by investing activities of $12.4 million in the six months ended December 31, 2023. The net change in investing activities was primarily due to a decrease of $20.3 million related to less proceeds from the sale of property, plant and equipment in the current period compared to the prior year period.

Financing Activities

Net cash used in financing activities during the six months ended December 31, 2024 was $0.1 million as compared to net cash provided by financing activities of $0.1 million in the six months ended December 31, 2023. The decrease of $0.2 million was primarily due to net borrowing proceeds of $0.3 million under the Credit Facility in the prior year period.

Capital Expenditures

For the six months ended December 31, 2024 and 2023, our capital expenditures paid were $5.4 million and $6.9 million, respectively. In fiscal 2025, we anticipate paying between $9.0 million to $11.0 million in capital expenditures. We expect to finance these expenditures through cash flows from operations and borrowings under our Credit Facility.

Depreciation and amortization expenses were $5.8 million and $5.8 million in the six months ended December 31, 2024 and 2023, respectively.

Purchase Commitments

As of December 31, 2024, the Company had committed to purchase green coffee inventory totaling $29.3 million under fixed-price contracts, and $10.5 million in inventory and other purchases under non-cancelable purchase orders.

Contractual Obligations

As of December 31, 2024, the Company had operating and finance lease payment commitments totaling $37.6 million.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with GAAP. In applying many of these accounting principles, we need to make assumptions, estimates or judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates or judgments, however, are both subjective and subject to change, and actual results may differ from our assumptions and estimates. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known. For a summary of our significant accounting policies, see *Note 2, Summary of Significant Accounting Policies,* of the Notes to Consolidated Financial Statements included in Part I, Item 1 of our 2024 Form 10-K. For a summary of our critical accounting estimates, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates" in our 2024 Form 10-K.

Recent Accounting Pronouncements

See Note 2, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements included in Part I, Item 1 of our 2024 Form 10-K.

Off-Balance Sheet Arrangements

As of December 31, 2024, the Company did not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

At December 31, 2024, we had outstanding borrowings on our Revolver Credit Facility of $23.3 million and had utilized $4.4 million of the letters of credit sublimit. The weighted average interest rate on our Revolver Credit Facility was 6.75%.

The following table demonstrates the impact of interest rate changes on our annual interest expense on outstanding borrowings subject to interest rate variability under these Credit Facility based on the weighted average interest rate on the outstanding borrowings as of December 31, 2024:

(In thousands)	Principal	Interest Rate	Annual Interest Expense
–150 basis points	$23,300	5.25%	$1,223
–100 basis points	$23,300	5.75%	$1,340
Unchanged	$23,300	6.75%	$1,572
+100 basis points	$23,300	7.75%	$1,806
+150 basis points	$23,300	8.25%	$1,922

Commodity Price Risk

We are exposed to commodity price risk arising from changes in the market price of green coffee. We value green coffee inventory on the FIFO basis. In the normal course of business we hold a large green coffee inventory and enter into forward commodity purchase agreements with suppliers. We are subject to price risk resulting from the volatility of green coffee prices. Due to competition and market conditions, volatile price increases cannot always be passed on to our customers. See Note 4, Derivative Instruments, of the Notes to the Unaudited Consolidated Financial Statements for further discussions of our derivative instruments.

The following table summarizes the potential impact as of December 31, 2024 to net gain (loss) and AOCI from a hypothetical 10% change in coffee commodity prices. The information provided below relates only to the coffee-related derivative instruments and does not include, when applicable, the corresponding changes in the underlying hedged items:

	Increase (Decrease) to Net Gain(Loss)		Increase (Decrease) to AOCI	
(In thousands)	10% Increase in Underlying Rate	10% Decrease in Underlying Rate	10% Increase in Underlying Rate	10% Decrease in Underlying Rate
Coffee-related derivative instruments (1)	$ 4	$ (4)	$ 245	$ (245)

(1) The Company's purchase contracts that qualify as normal purchases include green coffee purchase commitments for which the price has been locked in as of December 31, 2024. These contracts are not included in the sensitivity analysis above as the underlying price has been fixed.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the SEC. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures.

Our management, with the participation of our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), carried out an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Exchange Act) of December 31, 2024. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

Management has determined that there has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) during our fiscal quarter ended December 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The information set forth in Note 18, *Commitments and Contingencies*, of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

For a discussion of our other potential risks and uncertainties, see the information under "Item 1A. Risk Factors" in our 2024 Form 10-K. During the six months ended December 31, 2024, there have been no material changes to the risk factors disclosed in our 2024 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

During the fiscal quarter ended December 31, 2024, none of our directors or officers adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as those terms are defined in Item 408 of Regulation S-K.

Item 6. **Exhibits**

Exhibit No.	Description
3.1	Second Amended and Restated Certificate of Incorporation of Farmer Bros. Co. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on January 12, 2023 and incorporated herein by reference).
3.2	Amended and Restated Bylaws (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on February 2, 2023 and incorporated herein by reference).
10.1	Form of Farmer Bros. Co. Amended and Restated 2017 Long-Term Incentive Plan Restricted Stock Unit Award Agreement (filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K filed with the SEC on September 12, 2023 and incorporated herein by reference).*
10.2	Form of Farmer Bros. Co. Amended and Restated 2017 Long-Term Incentive Plan Cash-Based Restricted Stock Unit Award Agreement (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the SEC on November 9, 2023 and incorporated herein by reference).
10.3	Form of Severance Agreement (filed as Exhibit 10.34 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2023 filed with the SEC on September 12, 2023 and incorporated herein by reference).*
10.4	Form of Indemnification Agreement for Directors and Officers of the Company, as adopted on December 8, 2017 (filed as Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2022, filed with the SEC on September 2, 2022).*
10.5	Offer Letter, dated as of November 21, 2024, by and between the Company and Brian Miller (filed herewith).*
31.1*	Principal Executive Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Principal Financial Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL (included in Exhibit 101).

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* Filed herewith

** Furnished, not filed, herewith

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.

FARMER BROS. CO.

By: /s/ John E Moore III

John E Moore III
President and Chief Executive Officer
(principal executive officer)
February 6, 2025

By: /s/ Vance Ratliff Fisher

Vance Ratliff Fisher
Chief Financial Officer
(principal financial officer)
February 6, 2025

Exhibit 10.5

FARMER BROTHERS COFFEE CO

14501 N Fwy.
Fort Worth, TX 78177
817-640-8111
jvitemb@farmerbros.com
farmer bros.com

November 21, 2024

Brian Miller

Re: Offer of Employment

Dear Brian,

On behalf of Farmer Bros. Co. (the "Company"), I am pleased to offer you full-time employment in the position of Vice President, Sales & Marketing, based in Fort Worth, TX. You will report directly to John Moore, President and CEO. You will perform and execute such duties assigned with your position. Your target start date is January 13, 2025.

As discussed, your offer includes the following:

- Your annualized base salary for this exempt position is $300,000.00 (or $11,538.46 per 26 bi-weekly pay periods).
- You will also receive a one-time sign on bonus in the gross amount of $25,000. The sign on bonus will be remitted on the second pay cycle following the commencement of your employment.
  - By your acceptance of this bonus, you agree to repay to the Company the amount of any sign on bonus received by you if you voluntarily terminate your employment or are involuntarily separated due to job performance prior to the first anniversary of the first day of your employment by the Company. Any amount which becomes repayable by you by virtue of this provision will be repayable by a pro-rated deduction for the time you are in the Company's employment.
- You will also be eligible to participate in the Management Incentive Plan so long as the plan remains in effect. You will be eligible for a 35% annual target, currently based on Company and individual achievement of goals, payable after the end of the Company's fiscal year following certification by the Compensation Committee ("Compensation Committee") of the Company's Board of Directors ("Board"), subject to your continued service through the payment date.
- Upon joining, you will be receiving the following one-time long-term incentive grants: (1) a time-based restricted stock unit ("RSU") grant valued at $50,000.00; and (2) a performance-based restricted stock unit ("PBRSU") grant valued at $50,000.00. The grants will be made under the Company's 2017 Long-Term Incentive Plan (the "Plan"). The number of units will be determined based on the higher of: (1) the closing stock price on the first trading day of the month following the date you start in this role; or (2) $2.50.00.
- The RSU grant will vest ratably over three years from the grant date and is subject to accelerated vesting in the event of a change in control (as defined under the applicable Plan or RSU award agreement).
- The PBRSU grant will cliff vest on June 30, 2027, subject to the Company's achievement of the performance criteria as set by the Compensation Committee. The PBRSU grant is also subject to accelerated vesting in the event of a change in control (as defined under the applicable Plan or PBRSU award agreement)
- Your annual long-term incentive target grant in future years is expected to be $100,000.00, subject to the discretion and approval of the Compensation Committee. All grants will be subject to the terms of the award agreements and the Plan documents.
- You are eligible to participate in Farmer Bros. Co. benefit programs after meeting the designated waiting periods. These benefits include a 401(k), as well as Healthcare, Vision and Dental options. All compensation and benefits programs are subject to the conditions set forth by Farmer Bros. Co. at the time of receipt. Changes are made periodically to these programs at the sole discretion of Farmer Bros. Co.
- You will be eligible to enter into the standard severance and indemnification agreements with the Company. The forms of the agreements were filed as exhibits 10.37 and 10.39, respectively, to the Company's annual report on September 12, 2024.

- You agree and consent to the application of the Company's compensation recovery policy as in effect from time to time and, to the extent applicable, agree that compensation payable to you (pursuant to this offer letter or otherwise) may be subject to clawback or recovery thereunder.

Except as described in the severance agreement, your employment at the Company is "at-will". This means that it is not for any specified period of time and can be terminated by you or by the Company at any time, with or without notice, and for any or no particular reason or cause. Nothing in this offer is intended to modify this "at will" status. It also means that your job duties, title, responsibilities, reporting level, compensation and benefits, as well as the Company's personnel policies and procedures, may be changed with or without notice at any time at the sole discretion of the Company. This "at-will" nature of your employment may only be changed by an express written agreement that is signed by you and the President and CEO of the Company.

This offer and subsequent employment is conditioned upon the following:

- Successful completion, as determined by the Company, of background, drug and reference checks. These checks must be completed prior to your start with the Company. The Company reserves the right to modify your start date should these necessary checks be delayed for any reason.
- In compliance with current immigration law, you will need to provide satisfactory documentary proof of your identity and right to work in the United States of America on your first day of employment.

If you accept this offer, and the conditions set forth are satisfied, this letter shall constitute the complete agreement between you and the Company regarding the initial terms and conditions of your employment. Any representations, whether written or oral, not contained in this letter, or contrary to this letter that have been made to you are expressly cancelled and superseded by this offer.

Please confirm your acceptance of this offer by signing this letter and retain a copy for your records no later than Wednesday, November 27, 2024.

We are pleased to offer you this position and are confident that your employment with the Company will be mutually rewarding. It is an exciting time and we look forward to your acceptance of our offer.

Sincerely,

/s/Jared Vitemb

Jared Vitemb

General Counsel

I have reviewed and understand the terms and conditions of this offer and accept this position:

Dated: _, 2024

Signature: /s/ Brian Miller

Print Name: Brian Miller

EXHIBIT 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John E. Moore III certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Farmer Bros. Co.;

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(s) 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;

(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(s) 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 6, 2025

/S/ JOHN E. MOORE III

John E. Moore III
President and Chief Executive Officer
(principal executive officer)

EXHIBIT 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Vance Ratliff Fisher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Farmer Bros. Co.;

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(s) 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;

(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(s) 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 6, 2025

/s/ Vance Ratliff Fisher

Vance Ratliff Fisher
Chief Financial Officer
(principal financial officer)

EXHIBIT 32.1

Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Farmer Bros. Co. (the "Company") on Form 10-Q for the quarterly period ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John E Moore III, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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.

Dated: February 6, 2025

/S/ JOHN E. MOORE III

John E. Moore III
President and Chief Executive Officer
(principal executive officer)

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.

EXHIBIT 32.2

Certification of Principal Financial and Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Farmer Bros. Co. (the "Company") on Form 10-Q for the quarterly period ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Vance Ratliff Fisher, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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.

Dated: February 6, 2025

/s/ Vance Ratliff Fisher

Vance Ratliff Fisher
Chief Financial Officer
(principal financial officer)

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.