

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): **March 18, 2018**

Farmer Bros. Co.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-34249
(Commission File Number)

95-0725980
(I.R.S. Employer
Identification No.)

1912 Farmer Brothers Drive, Northlake, Texas 76262
(Address of Principal Executive Offices)

888-998-2468
(Registrant's Telephone Number, Including Area Code)

None
(Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). 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. ☐

Item 7.01 Regulation FD Disclosure.

As of March 18, 2018, representatives of Farmer Bros. Co., a Delaware corporation (the “Company”), will begin making presentations using slides containing the information attached to this Current Report on Form 8-K as Exhibit 99.1 (the “Investor Presentation”). The Company expects to use the Investor Presentation, including on the Company’s website, in whole or in part, and possibly with modifications, in connection with presentations to investors, analysts and others. The information contained in the Investor Presentation is summary information that is intended to be considered in the context of the Company’s Securities and Exchange Commission (“SEC”) filings and other public announcements that the Company may make, by press release or otherwise, from time to time. The Company undertakes no duty or obligation to publicly update or revise the information contained in the Investor Presentation, although it may do so from time to time as its management believes is warranted. Any such updating may be made through the filing of other reports or documents with the SEC, through press releases or through other public disclosure.

By filing this report on Form 8-K and furnishing this information, the Company makes no admission as to the materiality of any information in this report that is required to be disclosed solely by reason of Regulation FD.

As provided in General Instruction B.2. of Form 8-K, the information included in this Current Report on Form 8-K, including Exhibit 99.1, is being furnished and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section, shall not be incorporated by reference into any registration statement or other document filed pursuant to the Securities Act of 1933, as amended, or the Exchange Act regardless of any general incorporation language in such filing. In addition, the exhibit furnished herewith contains statements intended as “forward-looking statements” that are subject to the cautionary statements about forward-looking statements set forth in such exhibit.

Use of Company Website to Distribute Material Company Information

The Company’s website address is www.farmerbros.com. The Company uses its website as a channel of distribution of important company information. Important information, including press releases and financial information regarding the Company, is routinely posted on and accessible on the Investor Relations subpage of the Company’s website, which is accessible by clicking on “Investor Relations” on the website home page. The Company also uses its website to expedite public access to time-critical information regarding the Company in advance of or in lieu of distributing a press release or a filing with the SEC disclosing the same information. Therefore, investors should look to the Investor Relations subpage of the Company’s website for important and time-critical information. Visitors to the Company’s website can also register to receive automatic e-mail notifications alerting them to new information made available on the Investor Relations subpage of the Company’s website.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Farmer Brothers Investor Presentation - March 18, 2019.

SIGNATURE

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 hereunto duly authorized.

Dated: March 18, 2018

FARMER BROS. CO.

By: /s/ David G. Robson

David G. Robson

Treasurer and Chief Financial Officer

A top-down view of a white cup of coffee with latte art, a plate with a dessert, and lime slices. The coffee cup is on the right, filled with a latte featuring a white leaf-like pattern. To its left is a white plate with a dessert, possibly a slice of cake or pie, dusted with brown powder. In the bottom left corner, there are several lime slices and green leaves. The entire scene is set against a light, textured background.

FARMER BROTHERS INVESTOR PRESENTATION

MARCH 18, 2019



UNDERSTANDING, LEADING, BUILDING & WINNING IN THE BUSINESS OF COFFEE

FARMER BROTHERS



WE ARE A COFFEE COMPANY
DESIGNED TO DELIVER THE
COFFEE PEOPLE WANT,
THE WAY THEY WANT IT.

We have transformed from a
100-year-old coffee company to
a growing and successful
forward-thinking industry leader,
championing coffee culture.

(Unaudited)	FY 2015	FY 2018 ¹	3 Year CAGR ²
COFFEE VOLUME (In Pounds)	87,685,000	107,429,000	7.0%
NET SALES (In Millions)	\$545.9	\$606.5	3.6%
ADJUSTED EBITDA^{3,4} (In Millions)	\$30.9	\$47.6	15.5%

NOTE

1. Includes Boyd Coffee business, acquired in October 2017.

2. Represents the compound annual growth rate over the period from June 30, 2015 to June 30, 2018.

3. Adjusted EBITDA is a non-GAAP financial measure and is unaudited; a reconciliation of this non-GAAP measure to its corresponding GAAP measure is included in the appendix.

4. Prior year financial information has been retrospectively adjusted to reflect the impact of certain changes in accounting principles and corrections to previously issued financial statements.

INVESTMENT HIGHLIGHTS

MARKET OPPORTUNITY

A significant opportunity to expand market share in the \$76B coffee industry growing at 3-5% annually

INDUSTRY LEADERSHIP

Purposeful leadership in sustainability, ethical sourcing and waste elimination creates superior customer offerings

COMPREHENSIVE CAPABILITIES

A business model designed to effectively and efficiently deliver across all stages of the coffee business

CAPACITY TO GROW

Continued focus on leveraging investment in state-of-the-art Northlake facility, creating significant opportunities for customer acquisition and sustainable long-term growth

CASH FLOW

Balancing top-line growth with increased operating leverage generates potential for strong free cash flow

ENHANCED DSD NETWORK

Sales channel investments and route & branch optimization efforts designed to drive increased efficiencies and ability to capture national accounts

BOYD'S INTEGRATION


Successfully completed Boyd's integration work and remain on track to deliver forecasted synergies

M&A GROWTH

Well-positioned to pursue growth through additional opportunistic M&A

NOTE
Please see appendix for sources.

UNDERSTANDING THE BUSINESS OF COFFEE



The days of a
cup of joe in
the morning
are over.



The days of a
single-origin
pour-over
anytime,
everywhere
are here.

COFFEE IS A DYNAMIC CATEGORY DRIVEN BY INNOVATION AND CHANGING CONSUMER DEMANDS.



VOLUME

A \$76B industry with an annual growth rate of 3-5%.



QUALITY

Specialty coffee currently accounts for 25% of the market. It is growing and commands a high price point.



INNOVATION

Product, technology and experience innovation are driving consumption. Cold Brew and Nitro didn't exist in a meaningful way just three years ago.

NOTE
Please see appendix for sources.

TRENDS IMPORTANT TO US RIGHT NOW

Sourcing

Sustainability and origin stories are influencing purchasing decisions.

Drinking

Coffee is now consumed across wider dayparts.

Product Innovation

Millennials and Gen Xers now prefer gourmet, specialty and espresso-based coffee and in different formats.

NOTE
Please see appendix for sources.

TRENDS IMPORTANT TO OUR FUTURE

Sourcing

100% sustainably sourced coffee will be expected.

Drinking

Understanding of the health benefits of coffee continue to expand.

Product Innovation

Cold and frozen-format coffee is forecasted to grow 12.5% between 2016-2021.

MARKET SHARE OVERVIEW

By revenue, Farmer Brothers accounts for less than 1% of the U.S. coffee market

MARKET CONSOLIDATION IS UNDERWAY

"Significant consolidation lies ahead in the coffee industry."

- James Watson, Rabobank

NOTE
Please see appendix for sources.

COFFEE ROASTERS WE COMPETE AGAINST



NOTE
Company logos not owned by Farmer Brothers.

LEADING IN THE BUSINESS OF COFFEE

LEADING



We are
experts in
coffee...



...in all facets
of coffee

INDUSTRY-LEADING EXPERTISE

Sourcing

Sourcing in 28 countries, including six with direct trade relationships, efficiently delivering coffee across all quality levels

Hedging

Industry-leading hedging program, and advisor to large sophisticated customers

Roasting

Experienced team of more than 10 highly-skilled, qualified roasters with operations in three SQF-certified roasting facilities

Direct Ship

Trusted partnerships with recognized global and national brands

Turnkey Service

Deep expertise as total-solution provider, including set-up, equipment, supplies and service

LEADING

PURPOSEFUL LEADERSHIP

Industry

Founding member of
World Coffee Research

Ethical Sourcing

Longstanding direct trade
relationships and innovative
partnerships

Sustainability

Award-winning sustainability
program with science-based
carbon reduction goals

Eliminating Waste

Driving towards zero-
waste status in roasting
and distribution facilities

BUILDING IN THE BUSINESS OF COFFEE

BUILDING

We are built
for growth...

...and prepared
for change.

Farmer Brothers' transformation and modernization journey

Capacity
& Roasting

Portfolio

Customers

Commerce

Logistics

Organization

BUILDING

CAPACITY & ROASTING

THEN

Three facilities with limited ability to meet the changing needs of coffee consumers

NOW

Following successful integration, produce 100% of Boyd's SKUs in our three Farmer Brothers facilities, which have a total potential capacity of 200+ million lbs. of coffee per year¹

NEXT

Continuing to ramp up production at flagship plant throughout FY 2019

NOTE

1. Additional capital could be required to grow capacity to 200+ million lbs. of coffee per year

BUILDING

PORTFOLIO

THEN

Primarily traditional coffee products with limited premium products

NOW

Full and focused portfolio with growth in premium and specialty categories along with a presence in select adjacent beverage categories

NEXT

Greater traction for premium and specialty brands and high-growth innovative segments



THEN

Customer profile heavily weighted towards offices, truck stops and restaurants demanding traditional quality coffee

NOW

Profitable legacy customers demanding premium coffee

Partnerships with sophisticated global and national brands

NEXT

Deliver increased ROI and profitability through winning medium to large customer accounts and opportunistic M&A

COMMERCE

THEN

Legacy local sales network with geographical focus and limited expertise in designing sales solutions by type of customer

NOW

Optimizing DSD sales capabilities by realigning sales network to utilize channel expertise to drive sales growth nationally and increasing presence with new street sales team resources, in addition to branch and route optimization

NEXT

Drive sales growth through roastery direct ship¹ and third-party distributors

To date, successfully consolidated 60 routes

NOTE

1. Direct ship to customers by third-party carrier

BUILDING

LOGISTICS

THEN

Owned fleet of long-haul and delivery trucks moving product along the network one step at a time

NOW

Outsourced long-haul to 3PL and implemented fleet management for a more efficient distribution network

NEXT

Deliver efficiency through technology



THEN

Legacy management steeped in traditional coffee business

NOW

Experienced senior leadership team

In-house sustainability and M&A expertise

Infused culture with vibrant talent resulting from move of headquarters

NEXT

Optimize M&A integration capabilities across all functional teams

Elevate roastery direct capabilities

WINNING IN THE BUSINESS OF COFFEE

WINNING

We are positioned to
WIN AND GROW



1

MORE COFFEE

Win more large, national accounts

Expand roastery direct and third-party distribution delivery channels

Maximize DSD Growth

Pursue opportunistic M&A to deliver aligned brands, customers and innovation

2

BETTER COFFEE

Leverage market shift to premium and specialty coffee

Produce highest quality coffee at new flagship facility

3

NEW COFFEE

Expand trend-relevant portfolio to meet consumer needs (e.g., Cold Brew, Shelf-stable, Frozen)

Consistent investment in state-of-the art equipment for customers to deliver on trends

INVESTMENT HIGHLIGHTS

MARKET OPPORTUNITY

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COMPREHENSIVE CAPABILITIES

A business model designed to effectively and efficiently deliver across all stages of the coffee business

CAPACITY TO GROW

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CASH FLOW

Balancing top-line growth with increased operating leverage generates potential for strong free cash flow

ENHANCED DSD NETWORK

Sales channel investments and route & branch optimization efforts designed to drive increased efficiencies and ability to capture national accounts

BOYD'S INTEGRATION

Successfully completed Boyd's integration work and remain on track to deliver forecasted synergies

M&A GROWTH

Well-positioned to pursue growth through additional opportunistic M&A

NOTE
Please see appendix for sources.

A top-down view of a white cup of coffee with latte art, a plate with a cinnamon roll, and lime slices. The text "RETROSPECTIVELY ADJUSTED HISTORICAL FINANCIAL RESULTS" is overlaid on the image.

RETROSPECTIVELY ADJUSTED HISTORICAL FINANCIAL RESULTS

CHANGES IN ACCOUNTING PRINCIPLES AND CORRECTIONS TO PREVIOUSLY ISSUED FINANCIAL STATEMENTS:

ADJUSTED EBITDA¹

(Unaudited)

(In thousands)	FY 2015	FY 2016	FY 2017		FY 2018 ²
Retrospectively Adjusted	\$30,908	\$31,017	\$42,985	As Reported	\$47,562
As Previously Reported	\$41,268	\$41,386	\$45,973		NA
Difference	(\$10,360)	(\$10,369)	(\$2,988)		NA

Prior year periods have been retrospectively adjusted in our FY 2018 Form 10-K to reflect the impact of the following changes in accounting principles and corrections to previously issued financial statements:

- Change in Method of Accounting from LIFO to FIFO - We changed our method of accounting for our coffee, tea and culinary products from the LIFO basis to the FIFO basis.
- Change in Accounting Principle for Freight and Warehousing Costs - We implemented a change in accounting principle for freight costs incurred to transfer goods from a distribution center to a branch warehouse and warehousing overhead costs incurred to store and ready goods prior to their sale, from expensing such costs as incurred within selling expenses to capitalizing such costs as inventory and expensing through cost of goods sold.
- Reclassification and Capitalization of Allied Freight, Overhead Variances and Purchase Price Variances - We made certain corrections to our consolidated financial statements to reclassify and capitalize to inventory allied freight previously expensed as incurred in selling expenses, and to capitalize to inventory overhead variances and purchase price variances associated with allied product lines previously expensed as incurred in cost of goods sold.

Prior year periods in our FY 2018 Form 10-K do not reflect the retrospective application of certain new accounting principles adopted by the Company in FY 2019.

1. Adjusted EBITDA is a non-GAAP financial measure and is unaudited; a reconciliation of this non-GAAP measure to its corresponding GAAP measure is included in the appendix.
2. Includes Boyd Coffee business acquired in October 2017.

CHANGES IN ACCOUNTING PRINCIPLES AND CORRECTIONS TO PREVIOUSLY ISSUED FINANCIAL STATEMENTS:

GROSS MARGIN

(Unaudited)

GROSS MARGIN	FY 2015	FY 2016	FY 2017		FY 2018
Retrospectively Adjusted	29.2%	31.4%	34.5%	As Reported	34.1%
As Previously Reported	36.1%	38.3%	39.5%		NA
Difference	-6.9%	-6.9%	-5.0%		NA
Capitalization Impact	-1.9%	-1.9%	-0.6%		NA
Reclassification Impact	-5.0%	-4.9%	-4.4%		NA
Difference	-6.9%	-6.9%	-5.0%		NA

- The changes in accounting principles and corrections to previously issued financial statements in our FY 2018 Form 10-K reduced gross margin on average by 630 bps over FY 2015 to FY 2017.
- The reclassification impact for freight costs incurred to transfer goods from a distribution center to a branch warehouse and warehousing overhead costs incurred to store and ready goods prior to their sale and the reclassification of allied freight averaged 480bps over FY 2015 to FY 2017.
- The capitalization impact for all changes and corrections in our FY 2018 Form 10-K averaged 150bps over FY 2015 to FY 2017.

CHANGES IN ACCOUNTING PRINCIPLES AND CORRECTIONS TO PREVIOUSLY ISSUED FINANCIAL STATEMENTS:

OPERATING EXPENSES

(Unaudited)

OPERATING EXPENSES (In thousands)	FY 2015	FY 2016	FY 2017		FY 2018
Retrospectively Adjusted	\$166,705	\$173,358	\$147,700	As Reported	\$205,919
As Previously Reported	\$193,752	\$200,296	\$171,569		NA
Difference	(\$27,047)	(\$26,938)	(\$23,869)		NA
OPERATING EXPENSE % OF SALES	2015	2016	2017		2018
Retrospectively Adjusted	30.5%	31.8%	27.3%	As Reported	33.9%
As Previously Reported	35.5%	36.8%	31.7%		NA
Difference	-5.0%	-4.9%	-4.4%		NA

- The change in accounting principle for freight and warehousing costs and the reclassification of allied freight costs reduced operating expenses between \$23.9M to \$27.0M over FY 2015 to FY 2017, and 440bps to 500bps, and accordingly reduced gross margin for the reclassification of these expenses as a component of inventory and cost of sales.

APPENDIX

(Unaudited)	FY 2015 ¹	FY 2016 ¹	FY 2017 ¹	FY 2018 ¹
NET SALES (In Thousands)	\$545,882	\$544,382	\$541,500	\$606,544
GROSS MARGIN ²	29.2%	31.4%	34.5%	34.1%
ADJUSTED EBITDA ^{2,3} (In Thousands)	\$30,908	\$31,017	\$42,985	\$47,562
COFFEE VOLUME (GREEN) (Pounds In Thousands)	87,685	90,669	95,499	107,429
COFFEE VOLUME GROWTH	0.8%	3.4%	5.3%	12.5%

1. Fiscal year ending June 30.

2. Prior year financial information has been retrospectively adjusted to reflect the impact of certain changes in accounting principles and corrections to previously issued financial statements.

3. Adjusted EBITDA is a non-GAAP financial measure and is unaudited; a reconciliation of this non-GAAP measure to its corresponding GAAP measure is included in the appendix.

RECONCILIATION OF ADJUSTED EBITDA TO GAAP

(Unaudited)

	YEAR ENDED JUNE 30				SIX MONTHS ENDED DECEMBER 31	
(IN THOUSANDS)	2015 ¹	2016 ¹	2017 ¹	2018	2017	2018
NET (LOSS) INCOME, AS REPORTED	\$(9,708)	\$71,791	\$22,551	\$(18,280)	\$(16,220)	\$(13,086)
INCOME TAX EXPENSE (BENEFIT)	402	(72,239)	14,815	17,312	17,380	(4,012)
INTEREST EXPENSE ²	769	425	2,185	3,177	1,384	2,938
INCOME FROM SHORT-TERM INVESTMENTS	(1,251)	(2,204)	(1,853)	(19)	-	-
DEPRECIATION AND AMORTIZATION EXPENSE	24,179	20,774	22,970	30,464	15,330	15,630
ESOP AND SHARE-BASED COMPENSATION EXPENSE	5,691	4,342	3,959	3,822	1,844	1,857
RESTRUCTURING AND OTHER TRANSITION EXPENSES ³	10,432	16,533	11,016	662	259	4,674
NET GAIN FROM SALE OF TORRANCE FACILITY	-	-	(37,449)	-	-	-
NET GAINS FROM SALE OF SPICE ASSETS	-	(5,603)	(919)	(770)	(545)	(390)
NET LOSSES (GAINS) FROM SALES OF OTHER ASSETS	394	(2,802)	(1,210)	(196)	144	1,113
NON-RECURRING 2016 PROXY CONTEST-RELATED EXPENSES	-	-	5,186	-	-	-
IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	-	-	-	3,820	-	-
ACQUISITION AND INTEGRATION COSTS ⁴	-	-	1,734	7,570	3,382	3,738
PENSION SETTLEMENT CHARGE ⁵	-	-	-	-	-	10,948
ADJUSTED EBITDA	\$30,908	\$31,017	\$42,985	\$47,562	\$22,958	\$23,410
ADJUSTED EBITDA MARGIN	5.7%	5.7%	7.9%	7.8%	7.7%	7.6%

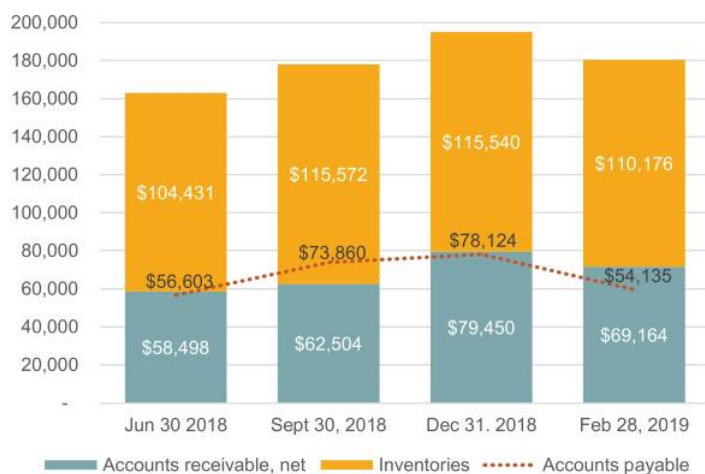
NOTE

1. Prior year financial information has been retrospectively adjusted to reflect the impact of certain changes in accounting principles and corrections to previously issued financial statements.
2. Excludes interest expense of \$3.3 million in the six months ended December 31, 2018, resulting from the adoption of ASU 2017-07. Beginning in the first quarter of fiscal 2019 purposes of calculating Adjusted EBITDA and Adjusted EBITDA Margin, we have excluded the impact of interest expense resulting from the adoption of ASU 2017-07 because interest expense is not reflective of our ongoing operating results.
3. In the six months ended December 31, 2018, includes \$3.4 million, including interest, assessed by the WC Pension Trust representing the Company's share of the WCTPP unfunded benefits due to the Company's partial withdrawal from the WCTPP as a result of employment actions taken by the Company in 2016 in connection with the Corporate Relocation net of payments of \$0.8 million in the six months ended December 31, 2018.
4. Beginning in fiscal 2017, we modified the calculation of Adjusted EBITDA and Adjusted EBITDA Margin to exclude acquisition and integration costs. We have not adjusted the presentation of Adjusted EBITDA and Adjusted EBITDA Margin because acquisition and integration costs in prior periods were not material to the Company's results of operations.
5. In the second quarter of fiscal 2019, we modified the calculation of Adjusted EBITDA and Adjusted EBITDA Margin to exclude a non-cash pretax pension settlement charge resulting from the amendment and termination of the Farmer Bros. Pension Plan for Salaried Employees effective December 1, 2018. This modification to our non-GAAP financial measures made because such expenses are not reflective of our ongoing operating results and adjusting for them will help investors with comparability of our results.

IMPROVING WORKING CAPITAL

(as of Feb. 28, 2019)

WORKING CAPITAL



	Jan 31, 2019	Mar 15, 2019
Borrowings under revolving credit facility	140,000	130,000

Reduced inventory levels and accounts receivable balances, allowing us to improve working capital and reduce debt

Inventory levels declined by \$5.4m from Dec. 31, 2018

Accounts receivable balances declined by \$10.3m from Dec. 31, 2018

Accounts payable balances declined by \$24.0m from Dec. 31, 2018

Debt under our revolving credit facility at March 15, 2019 was \$130m, declining by \$10m since January 31, 2019

We expect further reductions in inventory levels, accounts receivables, and debt throughout the remainder of our current fiscal year

FARMER BROS. CO.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)
(Unaudited)

	As of		December 31, 2016
	June 30, 2018	June 30, 2017 ¹	
Assets			
Current assets:			
Cash and cash equivalents	\$ 2,438	\$ 6,241	\$ 13,3
Short-term investments	—	368	
Accounts and notes receivable	58,498	46,446	79,4
Inventories	104,431	79,790	115,5
Prepaid expenses	7,842	7,540	7,3
Other assets	305	318	3
Total current assets	173,514	140,703	215,9
Property, plant and equipment, net	186,589	176,066	193,6
Goodwill	36,224	10,996	36,2
Intangible assets, net	31,515	18,618	30,1
Other assets	8,381	6,837	8,7
Deferred income taxes	39,308	53,933	43,3
Total assets	\$ 475,531	\$ 407,153	\$ 528,0
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 56,603	\$ 39,784	\$ 78,1
Accrued payroll expenses	17,918	17,345	17,1
Short-term borrowings under revolving credit facility	89,787	27,621	
Short-term obligations under capital leases	190	958	1
Short-term derivative liabilities	3,300	1,857	4,2
Other current liabilities	10,659	9,702	8,4
Total current liabilities	178,457	97,267	108,0
Accrued pension liabilities	40,380	51,281	47,5
Long-term borrowings under revolving credit facility			130,0
Accrued postretirement benefits	20,473	19,788	18,3
Accrued workers' compensation liabilities	5,354	7,548	4,9
Other long-term liabilities	1,812	1,717	8
Total liabilities	\$ 246,476	\$ 177,601	\$ 309,7
Total stockholders' equity	\$ 229,055	\$ 229,552	\$ 218,3
Total liabilities and stockholders' equity	\$ 475,531	\$ 407,153	\$ 528,0

1. Prior year financial information has been retrospectively adjusted to reflect the impact of certain changes in accounting principles and corrections to previously issued financial statements.

FARMER BROS. CO.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)
(Unaudited)

	Year Ended June 30,		
	2018	2017 ¹	2016 ¹
Net sales	\$ 606,544	\$ 541,500	\$ 544,000
Cost of goods sold	399,502	354,622	373,000
Gross profit	207,042	186,878	171,000
Selling expenses	154,539	133,329	123,000
General and administrative expenses	47,863	42,933	41,000
Restructuring and other transition expenses	662	11,016	16,000
Net gain from sale of Torrance Facility	—	(37,449)	—
Other operating expenses	2,854	(2,129)	(8,000)
Operating expenses	205,918	147,700	173,000
Income (loss) from operations	1,124	39,178	(2,000)
Total other (expense) income	(2,092)	(1,812)	1,000
(loss) income before taxes	(968)	37,366	(1,000)
Income tax expense (benefit)	17,312	14,815	(72,000)
Net income (loss)	\$ (18,280)	\$ 22,551	\$ 71,000
Less: Cumulative preferred dividends, undeclared and unpaid	389	-	-
Net (loss) income available to common stockholders	\$ (18,669)	\$ 22,551	\$ 71,000
Net (loss) income available to common stockholders per common share - Basic	\$ (1.11)	\$ 1.35	\$ 1.35
Net (loss) income available to common stockholders per common share - diluted	\$ (1.11)	\$ 1.35	\$ 1.35
Weighted average common shares outstanding—basic	16,815,020	16,668,745	16,502,000
Weighted average common shares outstanding—diluted	16,815,020	16,785,752	16,627,000

1. Prior year financial information has been retrospectively adjusted to reflect the impact of certain changes in accounting principles and corrections to previously issued financial statements.

FARMER BROS. CO.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017 ¹	2018	2017 ¹
Net sales	\$ 159,773	\$ 167,366	\$ 307,213	\$ 299,071
Cost of goods sold	106,529	111,089	205,734	196,711
Gross profit	53,244	56,277	101,479	102,360
Selling expenses	39,591	42,127	76,901	74,981
General and administrative expenses	12,140	14,305	20,757	25,661
Restructuring and other transition expenses	207	139	4,674	25,661
Other operating expenses	804	(304)	723	(40)
Operating expenses	52,742	56,267	103,055	100,501
Income (loss) from operations	502	10	(1,576)	1,859
Total other expense	(13,327)	(282)	(15,522)	(69)
(loss) income before taxes	(12,825)	(272)	(17,098)	1,160
Income tax (benefit) expense	(2,725)	16,788	(4,012)	17,381
Net loss	\$ (10,100)	\$ (17,060)	\$ (13,086)	\$ (16,220)
Less: Cumulative preferred dividends, undeclared and unpaid	134	129	266	129
Net loss available to common stockholders	\$ (10,234)	\$ (17,189)	\$ (13,352)	\$ (16,349)
Net loss available to common stockholders per common share - Basic	\$ (0.60)	\$ (1.03)	\$ (0.79)	\$ (0.99)
Net loss available to common stockholders per common share - diluted	\$ (0.60)	\$ (1.03)	\$ (0.79)	\$ (0.99)
Weighted average common shares outstanding—basic	16,985,157	16,723,498	16,971,995	16,711,661
Weighted average common shares outstanding—diluted	16,985,157	16,723,498	16,971,995	16,711,661

1. Prior year financial information has been retrospectively adjusted to reflect the impact of certain changes in accounting principles and corrections to previously issued financial statements.

FARMER BROS. CO.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Year Ended June 30,		
	2018	2017 ¹	2016 ¹
Cash flows from operating activities:			
Net (loss) income	\$ (18,280)	\$ 22,551	\$ 71,71
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	30,464	22,970	20,7
Other Non-Cash	24,325	(16,875)	(62,70
Change in operating assets and liabilities:			
Change in operating assets	(19,753)	17,383	6,5
Change in operating liabilities	(7,811)	(3,917)	(8,75
Net cash provided by operating activities	\$ 8,855	\$ 42,112	\$ 27,6
Cash flows from investing activities:			
Acquisitions of businesses, net of cash acquired	\$ (39,608)	\$ (25,853)	\$
Purchases of property, plant and equipment	(35,443)	(45,195)	(31,05
Purchases of assets for construction of New Facility	(1,577)	(39,754)	(19,42
Proceeds from sales of property, plant and equipment	1,988	4,078	10,9
Net cash used in investing activities	\$ (74,640)	\$ (106,724)	\$ (39,53
Cash flows from financing activities:			
Proceeds from revolving credit facility	\$ 85,315	\$ 77,985	\$ 41
Repayments on revolving credit facility	(23,149)	(50,473)	(37
Proceeds from sale-leaseback financing obligation	—	42,455	
Proceeds from New Facility lease financing obligation	—	16,346	19,4
Repayments of New Facility lease financing	—	(35,772)	
Payments of capital lease obligations	(947)	(1,433)	(3,14
Other financing activities	763	650	1,5
Net cash provided by financing activities	\$ 61,982	\$ 49,758	\$ 17,8
Net (decrease) increase in cash and cash equivalents	\$ (3,803)	\$ (14,854)	\$ 5,9
Cash and cash equivalents at beginning of year	6,241	21,095	15,11
Cash and cash equivalents at end of year	\$ 2,438	\$ 6,241	\$ 21,0

1. Prior year financial information has been retrospectively adjusted to reflect the impact of certain changes in accounting principles and corrections to previously issued financial statements.

FARMER BROS. CO.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Six Months Ended December 31,	
	2018	2017 ¹
Cash flows from operating activities:		
Net loss	\$ (13,086)	\$ (16,22)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	15,630	15,33
Other Non-Cash	20,562	16,44
Change in operating assets and liabilities:		
Change in operating assets	(32,644)	(14,24)
Change in operating liabilities	3,892	(2,84)
Net cash used in operating activities	<u>\$ (5,646)</u>	<u>\$ (1,53)</u>
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	\$ —	\$ (39,60)
Purchases of property, plant and equipment	(23,120)	(14,67)
Purchases of assets for construction of New Facility	—	(1,57)
Proceeds from sales of property, plant and equipment	105	8
Net cash used in investing activities	<u>\$ (23,015)</u>	<u>\$ (55,77)</u>
Cash flows from financing activities:		
Proceeds from revolving credit facility	\$ 40,642	\$ 69,75
Repayments on revolving credit facility	(429)	(12,94)
Payments of capital lease obligations	(137)	(59)
Payment of financing costs	(1,027)	(36)
Proceeds from stock option exercises	507	62
Net cash provided by financing activities	<u>\$ 39,556</u>	<u>\$ 56,41</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 10,895</u>	<u>\$ (82)</u>
Cash and cash equivalents at beginning of period	2,438	6,24
Cash and cash equivalents at end of period	<u>\$ 13,333</u>	<u>\$ 5,41</u>

1. Prior year financial information has been retrospectively adjusted to reflect the impact of certain changes in accounting principles and corrections to previously issued financial statements.

SOURCES

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Industry Volume & Growth
Technomic AFH Beverage Study
2016 RSE, 2014-2016 CAGR

Specialty Coffee Growth
Nielsen XAOC latest 52 weeks
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Cold & Frozen Format Growth
NCA: National Coffee Drinking
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Market Consolidation
James Watson, Coffee Consolidation
Accelerates (2017), Rabobank,
available at
http://research.rabobank.com/far/en/sectors/beverages/Coffee_Consolidation_Accelerates.html

FORWARD-LOOKING STATEMENTS

Certain statements contained in this presentation are not based on historical fact and are forward-looking statements within the meaning of federal securities laws and regulations. These statements are based on management's current expectations, assumptions, estimates and observations of future events and include any statements that do not directly relate to any historical or current fact; actual results may differ materially due in part to the risk factors set forth in our most recent 10-K and 10-Q filings. These forward-looking statements can be identified by the use of words like "anticipates," "estimates," "projects," "expects," "plans," "believes," "intends," "will," "assumes" and other words of similar meaning. Owing to the uncertainties inherent in forward-looking statements, actual results could differ materially from those set forth in forward-looking statements. We intend these forward-looking statements to speak only at the time of this presentation and do not undertake to update or revise these statements as more information becomes available except as required under federal securities laws and the rules and regulations of the SEC. Factors that could cause actual results to differ materially from those in forward looking statements include, but are not limited to, the success of our corporate relocation plan, the timing and success of our DSD restructuring plan, the Company's success in consummating acquisitions and integrating acquired businesses, the impact of capital improvement projects, the adequacy and availability of capital resources to fund the Company's existing and planned business operations and the Company's capital expenditure requirements, the relative effectiveness of compensation-based employee incentives in causing improvements in Company performance, the capacity to meet the demands of our large national account customers, the extent of execution of plans for the growth of Company business and achievement of financial metrics related to those plans, the ability of the Company to retain and/or attract qualified employees, the success of the Company's adaptation 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 risk, changes in consumer preferences, our ability to provide sustainability in ways that do not materially impair profitability, changes in the strength of the economy, 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 presentation and other factors described from time to time in our filings with the SEC. The results of operations for the three and six months ended December 31, 2018 are not necessarily indicative of the results that may be expected for any future period.



