

Amplify Snack Brands, INC
Form 10-K
March 16, 2017
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016

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: 001-37530

Amplify Snack Brands, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware 47-1254894
(State or other jurisdiction (I.R.S. Employer
of incorporation or organization) Identification No.)

500 West 5th Street, Suite 1350
Austin, Texas 78701
(Address of principal executive offices)
512.600.9893
(Registrant's Telephone number, including area code)

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

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

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or

Edgar Filing: Amplify Snack Brands, INC - Form 10-K

information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (do not check if a smaller reporting company) Smaller reporting company

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on June 30, 2016 as reported by the New York Stock Exchange on such date was approximately \$448.1 million. Shares of the Registrant’s common stock held by each executive officer, director and holder of 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This calculation does not reflect a determination that certain persons are affiliates of the Registrant for any other purpose.

As of March 10, 2017, there were 76,753,412 outstanding shares of the Company’s common stock, par value \$0.0001 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this report incorporates information by reference from the definitive Proxy Statement to be filed within 120 days after the end of the Registrant's fiscal year ended December 31, 2016.

Table of Contents

AMPLIFY SNACK BRANDS, INC.
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016
TABLE OF CONTENTS

	Page No.
PART I	
Item 1. <u>Business</u>	<u>1</u>
Item 1A. <u>Risk factors</u>	<u>6</u>
Item 1B. <u>Unresolved Staff Comments</u>	<u>30</u>
Item 2. <u>Properties</u>	<u>30</u>
Item 3. <u>Legal Proceedings</u>	<u>31</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>31</u>
PART II	
Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>32</u>
Item 6. <u>Selected Financial Data</u>	<u>33</u>
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>36</u>
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>54</u>
Item 8. <u>Financial Statements and Supplementary Data</u>	<u>55</u>
Item 9. <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>55</u>
Item 9A. <u>Controls and Procedures</u>	<u>55</u>
Item 9B. <u>Other Information</u>	<u>56</u>
PART III	
Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	<u>57</u>
Item 11. <u>Executive Compensation</u>	<u>57</u>
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>57</u>
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>57</u>
Item 14. <u>Principal Accountant Fees and Services</u>	<u>58</u>
PART IV	
Item 15. <u>Exhibits and Financial Statement Schedules</u>	<u>58</u>
Item 16. <u>Form 10-K Summary</u>	<u>63</u>
<u>Signatures</u>	<u>63</u>

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expects,” “plans,” “anticipate,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the use of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements about:

- our future financial performance, including our net sales, cost of goods sold, gross profit or gross profit margin, operating expenses, ability to generate positive cash flow and ability to achieve and maintain profitability;
- our ability to maintain, protect and enhance our brands;
- our ability to attract and retain customers;
- the sufficiency of our cash and cash equivalents to meet our liquidity needs and service our indebtedness;
- our ability to produce sufficient quantities of our products to meet demands;
- demand fluctuations for our products;
- our ability to successfully innovate and compete in the food industry;
- changing trends, preferences and tastes in the food industry;
- our ability to successfully expand in our existing markets and into new U.S. and international markets;
- worldwide economic conditions and their impact on consumer spending;
- our expectations concerning relationships with third parties;
- our ability to effectively manage our growth and future expenses;
- future acquisitions of or investments in complementary companies or products;
- changes in regulatory requirements in our industry and our ability to comply with those requirements; and
- the attraction and retention of qualified employees and key personnel.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Annual Report on Form 10-K.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Annual Report on Form 10-K primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in “Risk Factors” and elsewhere in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Annual Report on Form 10-K. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Annual Report on Form 10-K relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Annual Report on Form 10-K to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements and you should not place

undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

Table of Contents

PART I

Item 1. Business

Our Company

Amplify Snack Brands, Inc., a Delaware corporation, and its wholly-owned subsidiaries (collectively, the "Company", "we", "us" and "our") is a high growth, snack food company focused on developing and marketing products that appeal to consumers' growing preference for better-for-you ("BFY") snacks. Our anchor brand, SkinnyPop, is a highly-profitable and market-leading BFY ready-to-eat ("RTE") popcorn brand. Through its simple, major allergen-free and non-GMO ingredients, SkinnyPop embodies our BFY mission and has amassed a loyal and growing customer base across a wide range of food distribution channels in the United States. In September 2016, we acquired Crisps Topco Limited ("Tyrrells Group") and its international portfolio of premium BFY snack brands. This acquisition allows us to broaden our international customer reach, diversify our product and brand portfolio and realize the benefits of operating scale. In April 2015, we acquired Paqui, LLC ("Paqui"), an emerging BFY tortilla chip brand and in April 2016, we acquired Boundless Nutrition, LLC ("Boundless Nutrition"), which manufactures and distributes its Oatmega protein snack bars and Perfect Cookie products to natural, grocery, mass and food service retail partners across the United States. These acquisitions allow us to leverage our infrastructure to help us grow into adjacent snacking sub-segments with innovative BFY brands. We believe that our focus on building a portfolio of exclusively BFY snack brands differentiates us and will allow us to leverage our platform to realize material synergies across our family of BFY brands, as well as allow our retail customers to consolidate their vendor relationships in this large and growing category.

Corporate History

On July 17, 2014, SkinnyPop Popcorn LLC was acquired by investment funds affiliated with TA Associates, L.P., a leading growth private equity firm ("TA Associates"). This transaction is hereinafter referred to as the "Sponsor Acquisition". The business of SkinnyPop Popcorn LLC prior to the Sponsor Acquisition is hereinafter referred to as the "Predecessor". The business of the Company and its consolidated subsidiaries, including SkinnyPop Popcorn LLC, following the Sponsor Acquisition is hereinafter referred to as the "Successor".

On August 4, 2015, we completed our initial public offering ("IPO") in which 15,000,000 common shares from the 75,000,000 common shares then issued, were sold by selling stockholders to the public at a price of \$18.00 per share. We did not receive any proceeds from the sale of shares in this offering. In May 2016, we completed a secondary public offering, in which 11,500,000 common shares were sold by selling stockholders to the public at a price of \$11.25 per share. We did not receive any proceeds from the sale of shares in this offering.

Industry Overview

Our brands primarily compete in the salty snack segment, which includes products such as potato chips, tortilla chips, popcorn, cheese snacks and pretzels. BFY brands within the salty snack segment have recently experienced a higher rate of growth relative to the overall salty snack segment. Growth in BFY snacks is driven by various factors, including the increasing importance of snacking in many consumers' diets, heightened awareness of the importance of a healthier diet, coupled with increased understanding and focus on the importance of nutrition to long-term health and wellness. Consumers are increasingly aware of their snacking choices, are demanding great tasting BFY products that can meet specific dietary requirements and are focusing on products with simple and more easily understandable ingredients.

Brand Products

Our products are comprised of our cornerstone brand, SkinnyPop, in addition to Tyrrells, Paqui, Oatmega, Thomas Chipman, the Wholesome Food Company and Lisa's Chips. Our SkinnyPop and Tyrrells brands have established themselves in the North America region and Europe region, respectively, whereas Paqui, Oatmega, Thomas Chipman, The Wholesome Food Company and Lisa's Chips are still emerging and we believe these brands possess high growth potential within their respective markets. We refer to these brands collectively as "Emerging Brands".

The SkinnyPop brand was launched in 2010 and is one of the leading brands in the growing RTE popcorn category. SkinnyPop starts with three core ingredients: popcorn, sunflower oil and salt. The SkinnyPop portfolio is currently comprised of six flavors: Original, White Cheddar flavor, Sea Salt & Pepper, Naturally Sweet, Jalapeno and Dusted Dark Chocolate flavor. We offer our products in a variety of bag sizes and pack types which are sold across all channels. While the ingredients are simple, we have developed a unique combination of proprietary cooking processes and

Table of Contents

carefully selected premium ingredients to achieve a desirable taste profile. Additionally, our SkinnyPop products are major allergen-free, non-GMO, gluten-free, and contain no artificial flavors or preservatives, making them a tasty BFY snack. In 2016 we expanded the SkinnyPop brand beyond our core RTE product offerings and now offer microwaveable popcorn and SkinnyPop popcorn cakes. Currently our SkinnyPop product offerings are sold primarily in the United States and Canada, however with the acquisition of Tyrrells, it is our intent to expand the brand beyond North America.

In September 2016, we acquired the Tyrrells brand, based in Herefordshire, England. Tyrrells is an international manufacturer of BFY snack food businesses that manufactures and markets products in the United Kingdom, Europe, Australia and other international markets. The Tyrrells brand has a presence in snack food categories including, kettle cooked potato chips or crisps, vegetable crisps, premium popcorn and tortilla chips. Tyrrells differentiates itself in the BFY market place by leveraging its premium ingredients, proprietary cooking methods, and humorous brand personality and packaging. Tyrrells products are also made without artificial ingredients or preservatives. Tyrrells Crisps are also spun as part of the hand cooking process, which not only gives them a characteristic crunch, but also a lower fat content relative to most conventional potato chip brands. We expect to leverage our North American distribution channels to further expand the Tyrrells brand with a limited launch at select retailers in late 2017 and a full-scale launch in early 2018.

Emerging Brands

The Paqui brand was created in 2007 and acquired by us in 2015. Paqui, the name of which is derived from the Aztec word that means “to be happy”, produces tortilla chips that taste great but are also non-GMO, gluten-free, trans fats-free, cholesterol-free and contain no artificial preservatives or flavors. Paqui currently offers seven core flavors: Sea Salt Delights, Nacho Cheese Especial, Wild Wild Ranch, Roasted Jalapeño, Grilled Habanero, Cool Salsa Verde and Haunted Ghost Pepper. Paqui provides our entry point into the multi-billion dollar tortilla chip sub-category, where we believe no clear BFY market leader has emerged. In early 2016, we officially launched the Paqui brand nationally across the United States and Canada, which are currently the only two markets the product is sold.

In April 2016, we acquired Boundless Nutrition, which manufactures and distributes Oatmega protein snack bars and a line of BFY cookie products, formally branded as the Perfect Cookie. The Oatmega protein bar is currently offered in eight flavors which we will seek to expand upon in the future. We believe the Oatmega protein bar is unique as it is one of the few, if not only, protein bars that contains grass fed whey protein and uses EPA and DHA Omega 3s. Our Oatmega bars are non-GMO and certified gluten-free. The Oatmega protein bar is currently sold in the United States. We launched a line of Oatmega Kids protein bars in four kid-friendly flavors including Chocolate Chip, Chocolate Peanut Butter, Cinnamon Roll and Peanut Butter & Jelly, to a limited number of retailers in the United States. These bars were developed specifically for kids and contain a good source of Vitamin D, E and magnesium in addition to grass-fed whey protein and EPA and DHA Omega 3s.

We also leveraged the Oatmega brand to further our growth of the BFY cookie product line with a reformulated BFY cookie under the Oatmega brand name. The Oatmega Cookie line is comprised of three flavors: Peanut Butter, Chocolate Chip and White Chocolate Macadamia. The Oatmega Cookie contains grass-fed whey protein, EPA and DHA Omega-3s and is certified gluten free.

With the acquisition of Tyrrells Group in September 2016, we acquired the Thomas Chipman and Wholesome Food Company brands, which are manufactured in Australia by our wholly-owned subsidiary Yarra Valley Snack Foods Pty. Limited ("Yarra Valley"), and Lisa's Chips, manufactured in Germany by our wholly-owned subsidiary Aroma Snacks GmbH & Co. KG ("Aroma").

Thomas Chipman Organic Chips are certified organic and gluten free and include a range of corn chips, potato chips and vegetable chips, with over 20 product offerings. The Wholesome Food Company offers a range of innovative snacks designed to appeal to the health-conscious consumer including popcorn and legume based chips. Products sold through the Wholesome Food Company contain no artificial ingredients, and are gluten and GMO free.

Aroma Snacks manufacturers hand cooked potato chips that are sold under four brand names. Lisa's Chips, Lisa's Organic Chips, 3 Länder Chips and Mr. Jo's.

Product Innovation

Given that we compete in the global snack category, innovation is, and will continue to be, an important component of our growth strategy moving forward. Our innovation strategy is based on our ongoing research into consumers' BFY snacking needs and preferences. We will continue to conduct extensive consumer research in order to develop successful new products including concept testing, marketing and trend analysis and consumer product testing. As

Table of Contents

part of our innovation process our product development teams collaborate with nationally recognized third-party flavor houses and product development firms for new product development. We conduct our own proprietary consumer research to identify and improve upon winning new product concepts.

Customers and Distribution

Historically, we marketed our products predominantly throughout the United States to a variety of channels including natural and conventional grocery, drug, convenience, club, mass merchandise and a variety of alternative channels. In connection with our acquisition of Tyrrells Group in September 2016, we expanded our geographic footprint into the United Kingdom, Europe, Australia and Asian markets who sell through many of the same channels that we have previously sold through. It is our intention to utilize these recently acquired sales and distribution channels to expand our anchor brand SkinnyPop to international markets as well as expand the Tyrrells brand into the North American market.

Our largest customer, Costco Wholesale, accounted for approximately 22%, 31%, 36% and 33% of our consolidated net sales for the years ended December 31, 2016 and 2015, the period from July 17, 2014 to December 31, 2014 and the period from January 1, 2014 to July 16, 2014, respectively. A second customer, Sam's Club, an affiliate of Wal-Mart Stores, Inc., accounted for 12%, 18%, 20% and 22% of our consolidated net sales for the years ended December 31, 2016 and 2015, the period from July 17, 2014 to December 31, 2014 and the period from January 1 2014 to July 16, 2014, respectively. No other customer accounted for more than 10% of our consolidated net sales for the years ended December 31, 2016 and 2015 and the period from July 17, 2014 to December 31, 2014 and the period from January 1, 2014 to July 16, 2014.

We sell our products directly to retailers and to distributors.

Direct Sales: We rely largely on our direct sales force in combination with traditional sales brokerage firms to sell to and service our customers directly.

Distributor: The majority of our natural grocery retailers, some regional conventional grocery retailers and the majority of our alternative channels are serviced through independent food distributors that purchase products from us for resale to retailers.

Marketing and Advertising

Our marketing organization is aligned by brand and is responsible for driving each brand's growth and performance. As we continue to build out our brands, we aim to create impactful marketing communication and activation plans to drive awareness, trial and repeat purchases and cement brand loyalty. We believe we have significant opportunity to grow our business by increasing communications about our brands and product attributes to a wider audience of consumers.

Supply Chain

Raw Materials: We produce snack foods which primarily fall into five product categories: popcorn, potato chips and potato crisps, vegetable chips and vegetable crisps, tortilla chips and protein bars. The principal ingredients required to manufacture our SkinnyPop popcorn include popcorn kernels, sunflower oil, and seasonings. Our assortment of potato chip/crisp and vegetable chip/crisp offerings are primarily produced using potatoes, root vegetables, sunflower oil and a variety of seasonings. The principal ingredients within our tortilla chip offerings are ground corn, canola oil and flavor seasonings. Our protein bars are produced using a mix of grass-fed whey protein, oats and various natural ingredients. Our packaging supplies consists of flexible film, cartons, trays, card cases, pallet wrap and pouches. All

of our raw materials are purchased according to rigorous standards to assure food quality and safety. These raw materials are generally available in adequate quantities from numerous sources and are often contracted out from three months up to two years. Refer to Note 11 in the accompanying Notes to Consolidated Financial Statements contained in Item 8 for more detailed information related to our purchase commitments. Our North American operations utilize at least two suppliers for all their key ingredients except for our grass-fed whey which is purchased from a large multi-national supplier. Internationally we single source many of our key ingredients but consider these ingredients to be readily available from multiple suppliers. We visit with major suppliers to procure competitively priced, quality materials that meet our standards.

Table of Contents

Manufacturing: In North America, where we produce SkinnyPop popcorn, Paqui tortilla chips and Oatmega protein bars and cookies, we rely on independent manufacturers referred to as co-manufacturers in our industry to manufacture our products. Outsourcing allows us to operate an asset-light business model and focus our efforts on innovation, marketing and sales. Our co-manufacturers are regularly audited by third parties and are required to follow rigorous food safety guidelines. We believe our co-manufacturers have the capacity to meet our current and near-term supply needs. We monitor capacity and performance of our manufacturing partners and will qualify alternate suppliers as needed. We have two different arrangements with our co-manufacturers. For the majority of our business, we supply the raw materials and the co-manufacturer is paid an agreed-upon tolling charge for each item produced. Other co-manufacturers supply items to us for a negotiated price.

In conjunction with the Tyrrells Group acquisition, we acquired approximately 156,000 square feet of manufacturing, warehousing and office space. We maintain two manufacturing facilities in the United Kingdom, and one manufacturing facility in both Germany and Australia. Our batch fried potato crisps, which is our most significant potato crisp category, can be manufactured in all facilities, but several of our other product categories can only be manufactured at one of the six facilities.

Quality Control: Our products are manufactured in facilities that have programs and controls in place regarding consistent quality and food safety. Product attributes, such as taste, aroma, texture and appearance are regularly monitored. Good Manufacturing Practices ("GMP") and comprehensive Food Safety programs are designed to produce a safe, wholesome product. Our suppliers are required to have equally robust processes in place and confirm their compliance with product specifications with Letters of Guaranty and Certificates of Analysis for shipments of raw materials to be used in our Products. Finally, random samples of our finished goods are sent regularly to a third-party laboratory for testing. All of our co-manufacturers and four manufacturing facilities maintain at least one form of global food safety quality standards, such as SQF, BRC, ISO 9001, IFS, ISO22000, and SQS.

Competition

We operate in a highly competitive environment and face competition in each of our product categories. We have numerous competitors of varying sizes, including manufacturers of private-label products, as well as manufacturers of other branded food products, that compete for trade merchandising support and consumer dollars. We compete with large conventional consumer packaged foods companies such as Frito Lay, Inc. and Walkers, both of which are subsidiaries of PepsiCo, Inc., The Kellogg Company, ConAgra Foods, Inc., General Mills, Inc. and Snyder's-Lance, Inc. (including its subsidiary Kettle Foods Inc.). We also compete directly with smaller, local or regional BFY snack companies including Popcorn Indiana, Angie's, Cliff, Luna, and Quest, as well as private-label products manufactured by retailers, some of which are our customers. An increasing focus on BFY products in the marketplace will likely increase these competitive pressures within the category in future periods.

Competitive factors in our industry include product quality and taste, brand awareness and loyalty among consumers, product variety, ingredients, interesting or unique product names, innovation of on-trend snacks, product packaging, access to supermarket shelf space, reputation, price, advertising, promotion and nutritional claims. We believe that we currently compete effectively with respect to each of these factors.

Employees

As of December 31, 2016, we had approximately 550 full-time employees and 73 part-time employees, as compared to 45 employees at December 31, 2015. The increase in our headcount from December 31, 2015 is primarily related to our acquisition of Tyrrells in September 2016, which contributed 470 full-time employees and 71 part-time employees to our headcount. We are continuing to build our workforce with experienced individuals in order to serve our operations. Our Yarra Valley Snack Foods subsidiary, located in Australia is subject to collective bargaining regulations. We are currently evaluating our obligations under those regulations, including any obligation to engage

employees under an Enterprise Bargaining Agreement with Yarra Valley employees. We believe our employee relations to be satisfactory.

Trademarks and Other Intellectual Property

We market and sell our products primarily under the SkinnyPop, Tyrrells, Paqui and Oatmega brand names, each of which is registered with the U.S. Patent and Trademark Office, as well as in various other non-U.S. jurisdictions. Our Tyrrells, Thomas Chipman, the Wholesome Food Company, Mr. Jo's and Lisa's brands also maintain non-U.S. trademarks. Our trademarks are valuable assets that reinforce the distinctiveness of our brand and our consumers'

Table of Contents

favorable perception of our products and brands. Certain of our other marks are also pending registration in U.S. and non-U.S. jurisdictions.

Our web content and the domain names, including www.amplifysnackbrands.com, www.skinnypop.com, www.tyrrellscrisp.co.uk, www.oatmega.com, www.paqui.com, www.yarravalleysnackfoods.com and www.lisachips.com are owned by us and the content is copyright protected. We also rely on unpatented proprietary expertise, recipes and formulations, continuing innovation and other trade secrets to develop and maintain our competitive position. We expect to continue to renew trademarks that are important to our business.

Government Regulation

Along with our co-manufacturers, brokers, distributors and ingredients and packaging suppliers, we are subject to extensive laws and regulations in the United States by federal, state and local government authorities. In the United States, the federal agencies governing the manufacture, distribution and advertising of our products include, among others, the FTC, the FDA, the USDA, Food Safety Inspection Service, the U.S. Environmental Protection Agency and the Occupational Safety and Health Administration and similar state and local agencies. Under various statutes, these agencies, among other things, prescribe the requirements and establish the standards for quality and safety and regulate our marketing and advertising to consumers. Certain of these agencies, in certain circumstances, must not only approve our products, but also review the manufacturing processes and facilities used to produce these products before they can be marketed in the United States.

Our operations and products are also subject to foreign and provincial regulation and oversight by governmental agencies in the countries in which we operate, including the Food Standards Agency in the United Kingdom, the European Food Safety Authority in the European Commission, the Federal Ministry of Food Agriculture and Consumer Protection (BMELV) in Germany, the Department of Agriculture and Water Resources in Australia and the Canadian Food Inspection Agency and the Ministry of Agriculture in Canada, which regulate the processing, packaging, storage, distribution, advertising and labeling of the products we manufacture, including food safety standards. We have been, and we may be, required to alter certain products to comply with foreign or other regulatory standards.

We are subject to U.S. and foreign labor and employment laws, laws governing advertising, privacy laws, safety regulations and other laws, including consumer protection regulations that regulate retailers or govern the promotion and sale of merchandise. Our operations, and those of our contract co-manufacturers, distributors and suppliers, also are subject to various laws and regulations relating to environmental protection and worker health and safety matters.

We monitor changes in these laws and believe that we presently comply in all material respects with the foregoing laws and regulations. There can be no assurance, however, that future compliance with such laws or regulations will not have a material adverse effect on our business, results of operations and financial condition.

We may be subject to additional laws or regulations administered by the FDA, the USDA or other federal, state, or foreign regulatory authorities, the repeal of laws or regulations, or more stringent interpretations or enforcements of current laws or regulations, from time to time in the future. We cannot predict the nature of such future laws, regulations, interpretations or applications, nor can we predict what effect additional government regulations or administrative orders, when and if promulgated, would have on our business in the future. Such laws could, however require the reformulation of products, the recall, withholding or discontinuance of products, the imposition of additional record keeping requirements, the revision of labeling, advertising or other promotional materials, and changes in the level of scientific substantiation needed to support claims. Any or all such government actions could have a material adverse effect on our business, results of operations and financial condition.

Segment Information

On September 2, 2016, the Company completed the acquisitions of Tyrrells Group, a diversified international company that manufactures and markets BFY snack foods. As a result of this transaction, management determined that it operates in two operating and reportable segments. Our North America and International segments both operate in the large and growing global snack food category and whose brands and products are offered in the natural and conventional grocery, drug, convenience, food service, club, mass merchandise and other channels. The two snack food segments are reported separately based on differences in manufacturing and distribution methods and economic characteristics. We consider our chief executive officer to be our chief operating decision maker ("CODM") because he regularly reviews operating results of the North America and International segments for purposes of allocating resources and evaluating financial performance. Net sales and operating income are the primary performance

Table of Contents

measures used by our CODM for purposes of allocating resources and evaluating financial performance of our segments, along with non-cash items such as depreciation and amortization.

Certain expenses such as administrative costs required to operate effectively as a public company, professional fees, corporate-related insurance costs, personnel costs of our executive team, and certain individuals within our finance and human resource departments have been excluded from our individual segments profitability measures, along with transaction-related expenses that are not part of revenue generating activities. For purposes of our segment results, revenue is attributed to individual geographies on the basis of the physical location of where the sales occur. Prior to our acquisition of Tyrrells Group, we operated as one segment with all of our business primarily conducted in North America.

Additional Information

Our website is located at <http://www.amplifysnackbrands.com>, and our investor relations website is located at <http://investors.amplifysnackbrands.com/>. Copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, are available, free of charge, on our investor relations website as soon as reasonably practicable after we file such material electronically with or furnish it to the Securities and Exchange Commission, or the SEC. The SEC also maintains a website that contains our SEC filings. The address of the site is <http://www.sec.gov>. Further, a copy of this Annual Report on Form 10-K is located at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330.

We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases, and blogs as part of our investor relations website. Amplify has used, and intends to continue to use, our investor relations website as means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD. Further corporate governance information, including our certificate of incorporation, bylaws, governance guidelines, board committee charters, and code of business conduct and ethics, is also available on our investor relations website under the heading "Corporate Governance." The contents of our websites are not intended to be incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

Item 1A. Risk Factors

Certain factors may have a material adverse effect on our business, financial condition and results of operations. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including our consolidated financial statements and related notes. Any of the following risks could materially and adversely affect our business, operating results, financial condition, or prospects and cause the value of our common stock to decline, which could cause investors to lose all or part of their investment.

Risks Related to Our Business

Risks Related to Our Products

We rely on sales to a limited number of distributors and retailers for the substantial majority of our net sales, and the loss of one or more such distributors or retailers may harm our business.

A substantial majority of our sales are generated from a limited number of distributors and retailers, which we refer to as customers. For the year ended December 31, 2016, sales to our two largest customers, Costco and Sam's Club, represented approximately 26% and 14% of our North America segment's net sales, respectively, and 22% and 12% of our consolidated net sales, respectively. Within our International segment, one customer represented 11% of the segment's net sales for the year ended December 31, 2016, none of which comprised more than 10% of our consolidated net sales. In addition, Costco and Sam's accounted for approximately 12% of our consolidated accounts receivable as of December 31, 2016. Although the composition of our significant customers may vary from period to period, we expect that most of our net sales and accounts receivable will continue to come from a relatively small number of customers for the foreseeable future. We do not have commitments or minimum volumes that ensure future sales of

Table of Contents

our products to any of our customers. Consequently, our financial results may fluctuate significantly from period to period based on the actions of one or more significant customers. A customer may take actions that affect us for reasons that we cannot always anticipate or control, such as their financial condition, changes in their business strategy or operations, the introduction of competing products or the perceived quality of our products. In addition, despite operating in different channels, our retailers sometimes compete for the same consumers. As a result of actual or perceived conflicts resulting from this competition, customers may take actions that negatively affect us. The loss of, or a reduction in sales or anticipated sales to, one or more of our most significant distributors or retailers may have a material adverse effect on our business, results of operation and financial condition.

Further, over the last several years our anchor brand SkinnyPop, has gained several new relationships with some of the largest U.S. retail chains such as Walmart, Target, Albertsons, Safeway and CVS Pharmacy, and these customers may find, as they gain more experience selling our products, that their respective abilities to sell SkinnyPop products does not meet their expectations or they may not continue to place orders for our products. In 2016, we expanded our distribution of the Oatmega and Paqui brands to Target and Walmart. We can provide no assurance these brands will meet the retailer's sales expectations.

Tyrrells Group products including Tyrrells brand, Lisa's brand, the Wholesome Food Company brand, the Thomas Chipman brand, in addition to the private label products are sold in over 30 countries throughout the world. Some of these relationships we have with retailers are in excess of 10 years, however some of our relationships are relatively new. In particular, there are countries, such as China, that we have little experience operating in and our customer relationships have been short in duration.

Sales of a limited number of SkinnyPop and Tyrrells products and flavors contributed almost all of our historical profitability and cash flow. A reduction in the sale of our SkinnyPop and Tyrrells products would have a material adverse effect on our ability to remain profitable and achieve future growth.

The majority of our net sales for the year ended December 31, 2016 resulted from sales of our SkinnyPop products. The majority of our SkinnyPop branded net sales came from a variety of stock-keeping-units, or SKUs, under our Original flavor. Most of SkinnyPop's secondary flavors, White Cheddar Flavor, Naturally Sweet, and Sea Salt & Black Pepper flavored SKUs, were first introduced in late 2013 or 2014, and Dusted Dark Chocolate and Jalapeño, were introduced in early 2016, represent a relatively small portion of our sales. Historically the majority of Tyrrells sales have been derived from five core flavors; lightly salted, sea salt and cider vinegar, sweet chili and red pepper, mature cheddar and chives and mixed root vegetable chips. We cannot be certain that we will be able to continue to commercialize or expand distribution of our existing flavors of products or that any of our future food products and flavors will be accepted in their markets. Any inability on our part to stay current with food and consumer trends through new products could have a material adverse effect on our business performance.

Because sales of our SkinnyPop products make up much of our historical profitability and cash flows, reductions in sales of SkinnyPop products in particular will have an adverse effect on our profitability and ability to generate cash to fund our product development, research and development efforts or potential acquisitions.

The following factors, among others, could affect continued market acceptance and profitability of SkinnyPop products:

- the introduction of competitive products;
- changes in consumer preferences among RTE popcorn and other snack food products;
 - changes in consumer eating and snacking habits, including trends away from certain categories, including major allergen-free, gluten-free and non-GMO products;
- changes in awareness of the social effects of farming and food production;

Edgar Filing: Amplify Snack Brands, INC - Form 10-K

- changes in consumer perception about trendy snack products;
- changes in consumer perception regarding the healthfulness or BFY nature of our products;
- the level and effectiveness of our sales and marketing efforts;
- any unfavorable publicity regarding RTE popcorn products or similar products;
- any unfavorable publicity regarding the SkinnyPop brand;