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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2017

OR

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

For the transition period from____to___

Commission File Number: 001-37530

Amplify Snack Brands, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**47-1254894**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer 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 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 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	☐
		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 ☒

As of November 3, 2017, there were 76,745,948 shares of the registrant’s common stock outstanding.

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FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017
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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(unaudited, in thousands, except share data)

	September 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 8,311	$ 10,323
Accounts receivable, net of allowances of $12,849 and $9,261, respectively	45,345	42,852
Inventories	26,960	18,250
Prepaid expenses and other current assets	8,643	7,804
Total current assets	89,259	79,229
Property, plant and equipment, net	68,037	45,884
Other assets:		
Goodwill	177,714	151,953
Intangible assets, net	551,218	559,996
Other assets	1,160	1,178
Total assets	**$ 887,388**	**$ 838,240**
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	48,149	45,087
Senior term loan- current portion	5,162	5,936
Tax receivable obligation- current portion	7,114	7,114
Notes payable, net- current portion	4,801	991
Other current liabilities	1,211	908
Total current liabilities	66,437	60,036
Long-term liabilities:		
Senior term loan, net	570,095	571,576
Revolving credit facility, net	8,417	7,210
Notes payable, net	1,986	6,678
Net deferred tax liabilities	62,752	54,890
Tax receivable obligation	81,905	81,905
Other long-term liabilities	6,612	4,211
Total long-term liabilities	731,767	726,470
Commitment and contingencies (Note 9)		
Shareholders' Equity:		
Common stock, $0.0001 par value, 375,000,000 shares authorized at September 30, 2017 and December 31, 2016 and 76,744,340 and 76,786,000 shares issued and outstanding at September 30, 2017 and December 31, 2016, respectively	8	8
Additional paid-in capital	43,498	41,279
Common stock held in treasury, at par, 1,555,007 and 2,948,995 shares at September 30, 2017 and December 31, 2016, respectively	—	—

Retained earnings	44,304	41,916
Accumulated other comprehensive income (loss)	1,374	(31,469)
Total shareholders' equity	89,184	51,734
Total liabilities and shareholders' equity	**$ 887,388**	**$ 838,240**

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

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AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Loss)
(unaudited, in thousands, except shares outstanding and per share information)

	13 Weeks Ended September 30, 2017	Three Months Ended September 30, 2016	39 Weeks Ended September 30, 2017	Nine Months Ended September 30, 2016
Net sales	$ 94,864	$ 67,982	$ 283,056	$ 182,193
Cost of sales	58,948	35,646	173,365	88,891
Gross profit	**35,916**	**32,336**	**109,691**	**93,302**
Operating expenses:				
Sales and marketing	10,914	8,903	33,230	22,551
General and administrative	9,594	15,971	30,100	27,688
Loss (gain) on change in fair value of contingent consideration	431	(505)	549	(505)
Total operating expenses	20,939	24,369	63,879	49,734
Operating income	**14,977**	**7,967**	**45,812**	**43,568**
Interest expense	11,329	5,636	33,307	11,788
Other expense (income), net	102	(4,221)	(789)	(4,221)
Loss on extinguishment of debt	—	1,100	—	1,100
Income before income taxes	3,546	5,452	13,294	34,901
Income tax expense	2,872	3,807	10,906	16,086
Net income	**$ 674**	**$ 1,645**	**$ 2,388**	**$ 18,815**
Other comprehensive income (loss):				
Foreign currency translation adjustments	11,931	(9,030)	32,843	(9,030)
Comprehensive income (loss)	**$ 12,605**	**$ (7,385)**	**$ 35,231**	**$ 9,785**
Basic and diluted earnings per share	$ 0.01	$ 0.02	$ 0.03	$ 0.25
Weighted average shares outstanding:				
Basic	76,739,354	75,455,047	76,752,323	75,032,287
Diluted	76,794,326	75,557,760	76,920,915	75,094,446

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

AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(unaudited, in thousands)

	39 Weeks Ended September 30, 2017	Nine Months Ended September 30, 2016
Operating activities:		
Net income	$ 2,388	$ 18,815
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	10,815	4,247
Amortization of deferred financing costs and debt discounts	2,570	888
Deferred income taxes	6,755	2,419
Equity-based compensation expense	2,553	3,972
Loss on disposal of property, plant and equipment	8	39
Loss on exit activity	190	—
Loss on extinguishment of debt	—	1,100
Loss (gain) on change in fair value of contingent consideration	549	(505)
Other non-cash activities	15	(38)
Changes in operating assets and liabilities, net of effects of acquisition:		
Operating assets	(10,028)	(12,692)
Operating liabilities	663	2,436
Payments of founder contingent compensation	—	(23,000)
Net cash provided by (used in) operating activities	**16,478**	**(2,319)**
Investing activities:		
Payments for acquisitions, net of cash acquired of $-0- and $15,580	—	(382,137)
Payments for property, plant and equipment	(14,448)	(2,980)
Proceeds from sale of property, plant and equipment	89	—
Net cash used in investing activities	**(14,359)**	**(385,117)**
Financing activities:		
Term loan borrowings	—	593,420
Payments on term loans	(4,500)	(197,313)
Payoff of maturing notes payable	(1,000)	—
Payments on revolving credit facility	(9,500)	(15,000)
Proceeds from revolving credit facility	10,500	20,500
Tax withholding paid on behalf of employees for equity-based compensation	(476)	—
Payment of deferred financing costs	—	(15,517)
Net cash (used in) provided by financing activities	**(4,976)**	**386,090**
Effect of exchange rate changes on cash and cash equivalents	845	(218)
Decrease in cash and cash equivalents	(2,012)	(1,564)
Cash and cash equivalents—Beginning of period	10,323	18,751
Cash and cash equivalents—End of period	$ 8,311	$ 17,187
Supplemental disclosure of cash flow information:		
Income taxes paid	$ 2,861	$ 14,555

Interest paid	$ 30,220	$ 7,616
Non-cash investing and financing activities during the period:		
Issuance of common shares as consideration	$ —	$ 35,319
Accrued capital expenditures	$ 667	$ 43
Issuance of notes payable as consideration	$ —	$ 3,777
Contingent consideration	$ —	$ 1,085

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

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AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. BUSINESS OVERVIEW

Amplify Snack Brands, Inc., a Delaware corporation, and its subsidiaries (collectively, the "Company," and herein referred to as "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.

Corporate Reorganization and Initial Public Offering

Prior to the consummation of our initial public offering ("IPO") on August 4, 2015, a series of related reorganization transactions (hereinafter referred to as the "Corporate Reorganization") occurred in the following sequence:

- TA Topco 1, LLC ("Topco"), the former parent entity of the Company, liquidated in accordance with the terms and conditions of Topco's existing limited liability company agreement ("Topco Liquidation"). The holders of existing units in Topco received 100% of the capital stock of the Company, which was allocated to such unit holders pursuant to the distribution provisions of the existing limited liability company agreement of Topco based upon the liquidation value of Topco. Since Topco was liquidated at the time of our IPO, the implied liquidation value of Topco was based on the IPO price of $18.00 per share. Topco ceased to exist following the Topco Liquidation.
- The Company entered into a tax receivable agreement ("TRA") with the former holders of units in Topco pursuant to which such holders received the right to future payments from the Company. Refer to Note 2 for more details regarding the TRA.

Crisps Topco Limited Acquisition

On September 2, 2016, the Company completed its acquisition of Crisps Topco Limited ("Tyrrells Group"), a company incorporated under the laws of England and Wales, which owns the Tyrrells international portfolio of premium snack brands, through Thunderball Bidco Limited (the "Purchaser"), a direct, wholly-owned subsidiary of the Company. The acquisition was completed pursuant to a Share Purchase Agreement (the "Purchase Agreement") with SkinnyPop Popcorn LLC, a direct wholly-owned subsidiary of the Company (the "Purchaser Guarantor"), Crisps Holdings Limited, a company incorporated under the laws of the Cayman Islands (the "Institutional Seller") and individual selling equity holders (the "Management Sellers"). The Company acquired all of the outstanding equity interests of Tyrrells Group for total consideration of approximately $416.4 million. Refer to Note 3 for more details regarding this transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Fiscal Year

In December 2016, the Company's Board of Directors approved a change in the fiscal year end from a calendar year ending on December 31 to a 52- or 53-week fiscal year ending on the last Saturday in December, effective beginning with fiscal year 2017. In a 52- or 53-week fiscal year, each of the Company's fiscal quarters will consist of two four-week fiscal months followed by a five- or six-week fiscal month. The change to the Company's fiscal year does not impact the Company's calendar year results for the year ended December 31, 2016, and the Company does not expect the change will impact the prior year comparability of each of the fiscal quarters and annual period in 2016 in future filings.

Basis of Presentation

The accompanying interim condensed consolidated balance sheets as of September 30, 2017 and December 31, 2016, the interim condensed consolidated statements of comprehensive income (loss) for the 13 and 39 weeks ended September 30, 2017 and the three and nine months ended September 30, 2016 and the interim condensed consolidated statements of cash flows for the 39 weeks ended September 30, 2017 and nine months ended September 30, 2016, are unaudited.

AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

Interim Financial Statements

The accompanying unaudited interim condensed consolidated financial statements of Amplify Snack Brands, Inc. ("Condensed Consolidated Financial Statements") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required for annual financial statements. The Condensed Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

The Condensed Consolidated Financial Statements have been prepared on the same basis as the audited consolidated financial statements at and for the fiscal year ended December 31, 2016, and in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the financial position as of September 30, 2017 and results of our operations for the 13 and 39 weeks ended September 30, 2017 and the three and nine months ended September 30, 2016, and cash flows for the 39 weeks ended September 30, 2017 and nine months ended September 30, 2016.

The interim results for the 39 weeks ended September 30, 2017 are not necessarily indicative of the results that may be expected for the fiscal year ending December 30, 2017. Therefore, the Condensed Consolidated Financial Statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 16, 2017.

Use of Estimates

The unaudited interim condensed consolidated financial statements are prepared in conformity with GAAP. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. The Company routinely evaluates its estimates, including those related to accruals and allowances for customer programs and incentives, bad debts, income taxes, long-lived assets, inventories, equity-based compensation, accrued broker commissions and contingencies. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

Foreign Currency Transactions and Translation

Exchange adjustments resulting from foreign currency transactions are recognized as a component of other non-operating income (loss) in the accompanying condensed consolidated statements of comprehensive income (loss). For the Company's non-U.S. dollar functional currency subsidiaries, assets and liabilities are translated into U.S. dollars by using period-end exchange rates. Income and expense items are translated at a weighted-average exchange rate prevailing during the period. Adjustments resulting from translation of financial statements are reflected as a separate component of shareholders' equity.

Segment Reporting

On September 2, 2016, the Company completed the acquisition 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, North America and International. The 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.

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AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The categorization of a financial instrument within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The carrying amounts of the Company's financial instruments, including cash, accounts receivable, accounts payable and accrued liabilities, approximate fair value due to their relatively short maturities. Our term loan and revolving credit facility bear interest at a variable interest rate plus an applicable margin and, therefore, carrying amount approximates fair value. The fair value of our term loan and revolving credit facility are estimated based on Level 2 inputs, which were quoted prices for identical or similar instruments in markets that are not active.

The following table presents liabilities measured at fair value on a recurring basis (in thousands):

	September 30, 2017	December 31, 2016
Liabilities:		
Contingent consideration [1]	$ 3,040	$ 2,491

[1] Contingent consideration is reported in Other long-term liabilities in the accompanying Condensed Consolidated Balance Sheets.

Contingent Consideration

In connection with the acquisition of Boundless Nutrition, LLC, ("Boundless Nutrition") a manufacturer and distributor of the Oatmega protein snack bar and BFY cookie products, in April 2016, payment of a portion of the purchase price is contingent upon the achievement for the year ending December 31, 2018 ("Boundless Earn-out Period") of a defined contribution margin in excess of the sum of the original principal amount and accrued interest of the notes issued to the sellers of Boundless Nutrition (see Notes Payable discussion below for additional details). The Company is required to reassess the fair value of the contingent consideration at each reporting period.

In connection with the acquisition of Paqui, LLC ("Paqui") in April 2015, payment of a portion of the purchase price is contingent upon the achievement for the year ending December 31, 2018 ("Paqui Earn-out Period" and with the Boundless Earn-out Period, the "Earn-out Periods") of a defined contribution margin in excess of the sum of the original principal amount and accrued interest of the notes issued to the sellers of Paqui (see Notes Payable discussion below for additional details).

The significant inputs used in the fair value estimates include numerous gross sales scenarios for the Earn-out Periods for which probabilities are assigned to each scenario to arrive at a single estimated outcome (Level 3). The estimated outcome is then discounted based on the individual risk analysis of the liability. The present value of the estimated outcome is used as the underlying price and the sum of the original principal amount and accrued interest of the notes issued to the sellers of Paqui and Boundless Nutrition ("Earn-Out Threshold") is used as the exercise price in the Black-Scholes option pricing model. Although the Company believes its estimates and assumptions are reasonable, different assumptions, including those regarding the operating results of Paqui and Boundless Nutrition, or changes in the future may result in different estimated amounts.

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AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES
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The contingent consideration is included in Other long-term liabilities in the accompanying condensed consolidated balance sheets. The Company will satisfy this obligation with a cash payment to the sellers of each of Paqui and Boundless Nutrition upon the achievement of the respective milestone discussed above.

The following table summarizes the Level 3 activity related to the Contingent Consideration (in thousands):

	39 Weeks Ended September 30, 2017	Nine Months Ended September 30, 2016
Balance at beginning of the period	$ 2,491	$ 1,911
Fair value of Boundless Nutrition contingent consideration at acquisition date	—	1,085
Loss (gain) on change in fair value of contingent consideration	549	(505)
Balance at end of the period	**$ 3,040**	**$ 2,491**

Inventories

In our North American operations, inventories are valued at the lower of cost or net realizable value using the weighted-average cost method. The Company generally procures certain raw materials inputs and packaging from suppliers and contracts with third-party firms to assemble and warehouse finished products. The third-party co-manufacturers invoice the Company monthly for labor inputs upon the production or shipment of finished product during the period.
In our international operations, inventories are valued at the lower of cost or net realizable value using the first-in, first-out method. The Company owns the manufacturing facilities used for production. The costs of finished goods inventories include raw materials, direct labor, indirect production, and overhead costs.

Write-downs are provided for finished goods expected to become non-saleable due to age and provisions are specifically made for slow moving or obsolete raw ingredients and packaging. The carrying value of our inventories is adjusted when we believe that the net realizable value is less than the carrying value. These write-downs are measured as the difference between the cost of the inventory, including estimated costs to complete and estimated selling prices. Charges related to slow moving or obsolete items are recorded as a component of cost of goods sold. Charges related to packaging redesigns are recorded as a component of selling and marketing expenses. Once inventory is written down, a new, lower-cost basis is established. These adjustments are estimates that require management judgment. Actual results could vary from our estimates and additional inventory write-downs could be required.

Recognition of Net Sales, Sales Incentives and Trade Accounts Receivable

Net sales are recognized when the earnings process is complete and the risks and rewards of ownership have transferred to the customer, which occurs upon the receipt and acceptance of product by the customer. The Company's customers are primarily businesses that are stocking its products. The earnings process is complete once the customer order has been placed and approved and the product shipped has been received by the customer or when product is picked up by the Company's customers at the Company's co-manufacturer. Product is sold to customers on credit terms established on a customer-by-customer basis. The credit factors used include historical performance, current economic conditions and the nature and volume of the product.

The Company offers its customers a variety of sales and incentive programs, including price discounts, coupons, slotting fees, in-store displays and trade advertising. The costs of these programs are recognized at the time the related sales are recorded and are classified as a reduction in net sales. These program costs are estimated based on a number of factors including customer participation and performance levels.

The Company extends unsecured credit to its customers in the ordinary course of business but mitigates the associated credit risk by performing credit checks and actively pursuing past due accounts. Accounts are charged to bad debt expense as they are deemed uncollectable based upon a periodic review of aging and collections.

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As of September 30, 2017 and December 31, 2016, the Company recorded total allowances related to sales and incentive programs against trade accounts receivable of approximately $12.8 million and $9.3 million, respectively. Recoveries of receivables previously written off are recorded as income when received.

Concentration Risk

Customers with 10% or more of the Company’s net sales consist of the following:

	13 Weeks Ended September 30, 2017	Three Months Ended September 30, 2016	39 Weeks Ended September 30, 2017	Nine Months Ended September 30, 2016
Customer:				
Customer one	14%	22%	15%	26%
Customer two	6%	10%	9%	13%

The Company outsources a significant percentage of the manufacturing of its products to a single co-manufacturer in the United States. This co-manufacturer represented 16% and 19% of the consolidated accounts payable balance as of September 30, 2017 and December 31, 2016, respectively. As of both September 30, 2017 and December 31, 2016, no customers represented more than 10% of the Company's consolidated accounts receivable balance outstanding.

Earnings per Share

Basic earnings per share has been computed based upon the weighted average number of common shares outstanding. The Company's unvested shares of restricted common stock contain non-forfeitable rights to dividends and are considered to be participating securities in accordance with GAAP and therefore are included in the computation of basic earnings per share under the two-class method. The two-class method is an earnings allocation formula that determines earnings per share for each class of common shares and participating securities according to dividends declared and participation rights in undistributed earnings. Diluted earnings per share has been computed based upon the weighted average number of common shares outstanding plus the effect of all potentially dilutive common stock equivalents, except when the effect would be anti-dilutive. The dilutive effect of unvested restricted stock units ("RSUs") and outstanding stock options has been accounted for using the two-class method or the treasury stock method, if more dilutive.

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AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES
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(unaudited)

(in thousands, except share and per share amounts)	13 Weeks Ended September 30, 2017	Three Months Ended September 30, 2016	39 Weeks Ended September 30, 2017	Nine Months Ended September 30, 2016
Basic and diluted earnings per share:				
Numerator:				
Net income	$ 674	$ 1,645	$ 2,388	$ 18,815
Less: net income attributable to participating securities	(16)	(83)	(72)	(1,078)
Net income attributable to common shareholders	658	1,562	2,316	17,737
Denominator:				
Basic:				
Basic weighted average shares outstanding	76,739,354	75,455,047	76,752,323	75,032,287
Less: participating securities	(1,849,483)	(3,802,277)	(2,304,845)	(4,300,007)
Basic weighted average common shares outstanding	74,889,871	71,652,770	74,447,478	70,732,280
Basic earnings per share	$ 0.01	$ 0.02	$ 0.03	$ 0.25
Diluted:				
Basic weighted average shares outstanding	76,739,354	75,455,047	76,752,323	75,032,287
Unvested RSUs [(1)]	54,972	89,053	168,592	62,159
Outstanding stock options [(2)]	—	13,660	—	—
Diluted weighted average shares outstanding	76,794,326	75,557,760	76,920,915	75,094,446
Less: participating securities	(1,849,483)	(3,802,277)	(2,304,845)	(4,300,007)
Diluted weighted average common shares outstanding	74,944,843	71,755,483	74,616,070	70,794,439
Diluted earnings per share	$ 0.01	$ 0.02	$ 0.03	$ 0.25

(1) Excludes the weighted average impact of 545,725 and 373,848 unvested RSUs for the 13 weeks ended September 30, 2017 and three months ended September 30, 2016, respectively, and 797,812 and 131,848 unvested RSUs for the 39 weeks ended September 30, 2017 and nine months ended September 30, 2016, respectively, because the effects of their inclusion would be anti-dilutive.

(2) Excludes the weighted average impact of 642,540 and 87,703 outstanding stock options for the 13 weeks ended September 30, 2017 and three months ended September 30, 2016, respectively, and 442,625 and 179,174 outstanding stock options for the 39 weeks ended September 30, 2017 and nine months ended September 30, 2016, respectively, because the effects of their inclusion would be anti-dilutive.

Tax Receivable Agreement ("TRA")

As discussed in Note 1, immediately prior to the consummation of the IPO in August 2015, the Company entered into a TRA with the former holders of units in Topco. In December 2015, all of the former holders of units in Topco collectively assigned their interests to a new counterparty. The Company estimated an obligation of approximately $96.1 million based on the full and undiscounted amount of expected future payments under the TRA in consideration of a reduction in the Company's future U.S. federal, state and local taxes resulting from the utilization of certain tax attributes. The Company accounted for the obligation under the TRA as a dividend and elected to reduce additional paid in capital. Subsequent adjustments of the TRA obligation due to certain events, such as potential changes in tax rates or insufficient taxable income, will be recognized in the consolidated statements of comprehensive income. Future cash payments under the TRA will be classified as a financing activity on the condensed consolidated statements of cash flows.

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AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

Recent Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities", which amends the hedge accounting recognition and presentation requirements specified under ASC 815 *Derivatives and Hedging*. The ASU provides guidance to reduce the complexity of and simplify the application of hedge accounting by preparers. The ASU is effective for annual reporting periods, including interim periods within those annual reporting periods, beginning after December 15, 2018. Early adoption is permitted, including adoption in an interim period. The Company currently does not utilize derivative instruments, but may in the future.

In May 2017, the FASB issued ASU 2017-09, "Compensation - Stock Compensation (Topic 718): "Scope of Modification Accounting", which amends the scope of modification accounting for share-based payment arrangements. The ASU provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718 *Stock Compensation.* An entity would not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. The ASU is effective for annual reporting periods, including interim periods within those annual reporting periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period. We do not anticipate any significant award modifications, as such do not anticipate the adoption of ASU 2017-09 will have a material impact on our condensed consolidated statements of comprehensive income.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment". ASU 2017-04 simplifies the accounting for goodwill impairments by eliminating Step 2 from the goodwill impairment test. Under the previous guidance an impairment of goodwill is when the carrying amount of goodwill exceeds its implied fair value, whereas under the new guidance a goodwill impairment loss would be recognized if the carrying amount of the reporting unit exceeds its fair value, limited to the total amount of goodwill allocated to the reporting unit. The ASU is effective for annual and any interim impairment tests for periods beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company adopted this standard in January 2017 and it did not have an impact on its results of operations, statements of financial position or statements of cash flows.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments". ASU 2016-15 clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows under Topic 230. This ASU is effective for interim and annual periods beginning after December 15, 2017. Early application is permitted. The adoption of the standard will impact the classification of our contingent consideration payments in 2019 on our condensed consolidated statements of cash flows.

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments-Credit Losses” (Topic 326), which amends the guidance on the impairment of financial instruments. The standard adds an impairment model, referred to as current expected credit loss, which is based on expected losses rather than incurred losses. The standard applies to most debt instruments, trade receivables, lease receivables, reinsurance receivables, financial guarantees and loan commitments. Under the guidance, companies are required to disclose credit quality indicators disaggregated by year of origination for a five-year period. The new guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2019. We do not anticipate this standard will have a material impact to our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", which clarifies the principles for recognizing revenue. The guidance is applicable to all contracts with customers regardless of industry-specific or transaction-specific fact patterns. Further, the guidance requires improved disclosures as well as additional disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized. In 2015, the FASB issued a deferral of the effective date of the standard to the first quarter of 2018, with early adoption in fiscal 2017 permitted. In 2016, the FASB issued final amendments clarifying the implementation guidance for principal versus agent considerations, identifying performance obligations and the accounting for intellectual property licenses. Upon becoming effective, the Company will apply the amendments in the updated standard either retrospectively to each prior reporting period presented, or retrospectively with the cumulative

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effect of initially applying the guidance recognized at the date of initial application. The Company is currently evaluating the provisions of ASU No. 2014-09 and assessing the impact on its financial statements. As part of our assessment work to-date, we have formed an implementation work team, completed training on the new ASU's revenue recognition model and are continuing our contract review and documentation. It has not yet been determined if the full retrospective or the modified retrospective method will be applied.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting", which is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for interim and annual periods beginning after December 15, 2016. Early application is permitted. The Company adopted the standard on October 1, 2016 and the adoption did not have an impact on its results of operations, statements of financial position or statements of cash flows.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)", which requires lessees to recognize assets and liabilities related to lease arrangements longer than twelve months on the balance sheet. This standard also requires additional disclosures by lessees and contains targeted changes to accounting by lessors. The updated guidance is effective for interim and annual periods beginning after December 15, 2018, and early adoption is permitted. The Company is in the process of assessing the impact of the adoption of ASU No. 2016-02 on its financial position, results of operations, cash flows and financial statement disclosures but does not believe the adoption will have a material impact. As of September 30, 2017, the Company has $9.4 million of non-cancellable lease commitments. We anticipate the majority of these leases will be recorded on our condensed consolidated balance sheets upon adoption of this standard.

In September 2015, the FASB issued ASU No. 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments", which simplifies the accounting for adjustments made to provisional amounts recognized in a business combination by eliminating the requirement to retrospectively account for those adjustments. This revised guidance was effective for annual reporting periods beginning after December 15, 2015, and related interim periods. The amendments in the update were applied prospectively to adjustments to provisional amounts that occurred after the effective date of the update with early application permitted for financial statements not yet issued. We have adopted this guidance and will apply it as necessary in our financial statements. Based on changes to our provisional purchase price accounting, during the 39 weeks ended September 30, 2017, we recorded approximately $0.2 million of additional expense, previously reported financial information has not been restated for measurement period adjustments.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory", which applies to inventory that is measured using first-in, first-out ("FIFO") or average cost. Under the updated guidance, an entity should measure inventory that is within scope at the lower of cost and net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This ASU is effective for annual and interim periods beginning after December 15, 2016, and should be applied prospectively. The Company adopted the standard January 1, 2017 and the adoption did not have a material impact on our condensed consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, "Presentation of Financial Statements—Going Concern: Disclosures about an Entity's Ability to Continue as a Going Concern". The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity's ability to continue as a going concern. The Company applied the standard for the 39 weeks ended September 30, 2017 condensed consolidated financial statements and it had no impact on its disclosures.

3. ACQUISITIONS

Tyrrells Group Acquisition

On September 2, 2016, the Company acquired 100% of the voting interests of Tyrrells Group, an international manufacturer and distributor of BFY snacks, for total consideration of approximately $416.4 million. The Company paid approximately $381.1 million in cash and issued approximately 2.1 million shares of its common stock with an acquisition date fair value of approximately $35.3 million. The Company financed the cash portion of the transaction with proceeds from term loans totaling $600 million.

This acquisition has been accounted for under the acquisition method of accounting, whereby the purchase consideration was allocated to tangible and intangible net assets acquired and liabilities assumed at their estimated fair values on the date of acquisition. The excess purchase consideration over fair value of net assets acquired and liabilities assumed was recorded as goodwill.

Due to the nature of the Tyrrells acquisition the company's tax basis in assets carried over from Tyrrells group. Therefore, the company has recorded deferred tax liabilities for the differences in book and tax bases of identifiable intangibles and fixed assets.

The Company has incurred approximately $9.4 million of transaction expenses in connection with the Tyrrells Group acquisition to date, which are included as part of general and administrative expense in the accompanying consolidated statements of comprehensive income. Of the $9.4 million, approximately $0.1 million was incurred during the 39 weeks ended September 30, 2017, with the remainder having been incurred during the year ended December 31, 2016. The Company incurred approximately $8.4 million and $8.5 million of transaction related expenses during the three and nine months ended September 30, 2016, respectively.

During the 39 weeks ended September 30, 2017, Tyrrells Group contributed approximately $91.1 million of net sales to the Company. As of the acquisition date, Tyrrells Group had $28.0 million of gross accounts receivable, of which we estimated $6.6 million will be uncollectable, mostly related to the costs of promotional activities being offset against trade receivable invoices by customers.

In 2017, the Company completed its accounting of the purchase consideration and estimated fair value of assets acquired and liabilities assumed at the date of acquisition, with adjustments to fair value of certain assets and liabilities identified during the measurement period. The adjustments identified during the measurement period were a result of changes to the original fair value estimates of certain items acquired and are the result of additional information obtained since September 2, 2016, that related to facts and circumstances that existed at the acquisition date.

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The following table summarizes the final allocation of the purchase consideration for Tyrrells Group to the estimated fair value of assets acquired and liabilities assumed at the date of acquisition (in thousands):

Purchase consideration:	Provisional Valuation as of December 31, 2016	Measurement Period Adjustments	Final Valuation
Cash paid as purchase consideration	$ 381,069	$ —	$ 381,069
Fair value of equity issued to Sellers	35,319	—	35,319
Total purchase consideration	416,388	—	416,388
Less: cash and cash equivalents acquired	(15,451)	—	(15,451)
Total purchase price, net of cash and cash equivalents acquired	400,937	—	400,937
Fair value of net assets acquired and liabilities assumed:			
Accounts receivable	21,424	—	21,424
Inventory	8,921	—	8,921
Property, plant and equipment	42,612	9,005	51,617
Other assets	2,845	—	2,845
Indefinite-lived identifiable intangible asset- trade names	261,854	(27,900)	233,954
Definite-lived identifiable intangible assets- customer relationships (15-year useful life)	44,240	532	44,772
Accounts payable	(19,498)	—	(19,498)
Other liabilities	(13,123)	(1,844)	(14,967)
Deferred tax liabilities	(51,810)	2,843	(48,967)
Total fair value of net assets acquired and liabilities assumed	297,465	(17,364)	280,101
Excess purchase consideration over fair value of net assets acquired (goodwill)	**$ 103,472**	**$ 17,364**	**$ 120,836**

Goodwill is calculated as the excess of consideration paid over the net assets acquired and represents synergies, organic growth and other benefits that are expected to arise from integrating Tyrrells Group into our operations. The goodwill associated with the Tyrrells Group acquisition is not deductible for tax purposes.

Pro Forma Combined Statements of Operations (Unaudited)

The following unaudited pro forma combined statements of operations presents the Company's operations as if the Tyrrells Group acquisition and related financing activities had occurred on January 1, 2016. The pro forma information includes the following adjustments (i) amortization of acquired definite-lived intangible assets; (ii) depreciation based on the fair value of acquired property and equipment; (iii) costs of goods sold based on the fair value of acquired inventory; (iv) interest expense incurred in connection with incremental term loan borrowings used to finance the acquisition of Tyrrells; and (v) inclusion of equity-based compensation expense associated with equity awards granted to certain Tyrrells' employees in connection with the acquisition. The pro forma combined statements of operations are not necessarily indicative of the results of operations as they would have been had the transaction been effected on the assumed date and are not intended to be a projection of future results (in thousands, except per share data):

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	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
(Unaudited)		
Net sales	$ 90,048	$ 269,781
Net income	$ (2,345)	$ 6,610
Net income per share- basic	$ (0.03)	$ 0.09
Net income per share- diluted	$ (0.03)	$ 0.08

Boundless Nutrition Acquisition

In April 2016, the Company acquired 100% of the voting rights of Boundless Nutrition, a manufacturer and distributor of the Oatmega protein snack bar and a line of BFY cookie products, for total consideration of approximately $21.5 million. This acquisition has been accounted for under the acquisition method of accounting and the excess purchase consideration over fair value of net assets acquired and liabilities assumed was recorded as goodwill and represents a value attributable to brand recognition associated with Boundless Nutrition's products and position in the BFY snack category.

For the 39 weeks ended September 30, 2017, Oatmega products contributed net sales of approximately $13.1 million. In connection with the Boundless Nutrition acquisition we recognized approximately $8.5 million of goodwill from expected synergies due to our ability to diversify our product offerings and leverage our North American distribution channels. For tax purposes, the acquisition is treated as an acquisition of assets, therefore the Company's tax basis in assets was allocated based on their fair value. The goodwill associated with the Boundless Nutrition acquisition is deductible for tax purposes.

In 2016, the Company completed its accounting of the purchase consideration and estimated fair value of assets acquired and liabilities assumed at the date of acquisition, with an adjustment to fair value of contingent consideration identified during the measurement period. The following table summarizes the final allocation of the purchase consideration for Boundless Nutrition to the estimated fair value of assets acquired and liabilities assumed at the date of acquisition (in thousands):

Purchase consideration:	
Cash paid as purchase consideration	$ 16,651
Fair value of notes payable issued to sellers as consideration	3,776
Fair value of contingent consideration	1,085
Total purchase consideration	21,512
Less: cash and cash equivalents acquired	(129)
Total purchase price- net of cash and cash equivalents acquired	21,383
Fair value of net assets acquired and liabilities assumed:	
Accounts receivable and inventory	2,046
Property, plant and equipment	751
Other assets	178
Indefinite-lived identifiable intangible asset- trade name	9,440
Definite-lived identifiable intangible assets- customer relationships and trade name	2,160
Accounts payable	(1,111)
Other liabilities	(532)

Total fair value of net assets acquired and liabilities assumed		12,932
Excess purchase consideration over fair value of net assets acquired (goodwill)	**$**	**8,451**

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Management evaluated the impact to the Company's financial statements of the Boundless Nutrition acquisition and concluded that the impact was not significant enough to require or separately warrant the inclusion of pro forma financial results inclusive of Boundless Nutrition.

4. INVENTORY

Inventories, net of reserves and provisions, consist of the following (in thousands):

	September 30, 2017	December 31, 2016
Raw materials and packaging	$ 12,630	$ 9,313
Work in process	1,483	760
Finished goods	12,847	8,177
Inventories, net	**$ 26,960**	**$ 18,250**

As of September 30, 2017 and December 31, 2016, we had approximately $0.5 million and $0.6 million in reserves, respectively, for finished goods deemed unsaleable and raw materials and packaging deemed obsolete. If future demand or market conditions are less favorable than those projected by our management, additional inventory write-downs may be required.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Accumulated depreciation is recognized ratably over the expected useful life of the asset. Property, plant and equipment, net consist of the following (in thousands):

	September 30, 2017	December 31, 2016
Machinery and equipment	$ 55,459	$ 35,889
Furniture and fixtures	4,198	3,665
Building	5,483	4,408
Land	1,152	928
Leasehold improvements	6,552	3,922
Construction in progress	3,397	—
Property, plant and equipment, gross	76,241	48,812
Less: accumulated depreciation	(8,204)	(2,928)
Property, plant and equipment, net	**$ 68,037**	**$ 45,884**

Depreciation expense was approximately $1.8 million and $5.4 million for the 13 and 39 weeks ended September 30, 2017, respectively, and approximately $0.5 million and $0.8 million for the three and nine months ended September 30, 2016, respectively. Depreciation expense is included in cost of goods sold, sales and marketing and general and administrative expense in the accompanying condensed consolidated statements of comprehensive income (loss).

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6. GOODWILL AND INTANGIBLE ASSETS

Goodwill consists of the following (in thousands):

	North America	International	Total
Balance as of December 31, 2016	**$ 55,872**	**$ 96,081**	**$ 151,953**
Purchase price accounting adjustments [(1)]	—	16,123	16,123
Allocation of goodwill to North America segment [(1)]	18,378	(18,378)	—
Foreign currency translation impact	—	9,638	9,638
Balance as of September 30, 2017	**$ 74,250**	**$ 103,464**	**$ 177,714**

[(1)] In 2017, the Company completed its accounting of the purchase consideration and estimated fair value of assets acquired and liabilities assumed at the date of the Tyrrells Group acquisition, with adjustments to the fair value of certain assets and liabilities identified during the measurement period. The adjustments reflected in the table above were a result of changes to the original fair value estimates of certain items acquired and are the result of additional information obtained since December 31, 2016, that related to facts and circumstances that existed at the acquisition date. When the Company completed its allocation of the purchase consideration for Tyrrells Group it allocated a portion of the total transaction goodwill balance to the North America operating segment, based on estimated future profitability.

Intangible assets consist of the following (in thousands):

	September 30, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets with indefinite lives:						
Trade names	$ 457,259	$ —	$ 457,259	$ 464,488	$ —	$ 464,488
Intangible assets with finite lives:						
Customer relationships	110,894	(16,984)	93,910	106,830	(11,387)	95,443
Non-competition agreement	90	(41)	49	90	(32)	58
Trade name	20	(20)	—	20	(13)	7
Total	**$ 568,263**	**$ (17,045)**	**$ 551,218**	**$ 571,428**	**$ (11,432)**	**$ 559,996**

Amortization of finite-lived intangibles was approximately $1.8 million and $5.4 million for the 13 and 39 weeks ended September 30, 2017, respectively, and approximately $1.3 million and $3.4 million for the three and nine months ended September 30, 2016, respectively. Amortization of finite-lived intangible assets is included as part of general and administrative expense in the accompanying condensed consolidated statements of comprehensive income.

7. ACCRUED LIABILITIES

The following table shows the components of accrued liabilities (in thousands):

	September 30, 2017	December 31, 2016

Unbilled inventory	3,819	2,409
Accrued personnel costs	1,408	3,031
Accrued interest	3,628	3,297
Accrued sales tax and value added tax (VAT) payable	1,281	825
Other accrued expenses and liabilities	3,591	2,943
Total accrued liabilities	**$ 13,727**	**$ 12,505**

8. DEBT

Debt consists of the following (in thousands):

	September 30, 2017	December 31, 2016
Term loans, net of unamortized original issue discount of $5,721 and $6,321, respectively	$ 588,280	$ 592,179
Revolving loans	9,500	8,500
Notes payable, net of unamortized discount of $118 and $236, respectively	6,787	7,669
Deferred financing costs, net of accumulated amortization of $2,663 and $813, respectively	(14,106)	(15,957)
Total debt	590,461	592,391
Less: Current portion	(9,963)	(6,927)
Long-term debt	$ 580,498	$ 585,464

Credit Facility

In connection with the acquisition of Tyrrells Group, the Company entered into a Credit Agreement on September 2, 2016 (the "Credit Facility"), which provided for term loans in the aggregate principal amount of $600 million (the "Term Loans") and revolving loans in the aggregate principal amount of $50 million (the "Revolving Loans"), of which $20 million is denominated in pounds sterling. The Company borrowed from the Term Loans in full to finance the acquisition of Tyrrells Group and pay down all outstanding indebtedness under the Credit Agreement entered into on July 17, 2014 (the "Prior Credit Facility"). As of September 30, 2017, the Company had $40.7 million of available capacity under the Revolving Loans.

In connection with the issuance of the Credit Facility, the Company incurred an original issue discount ("OID") of approximately $6.6 million and paid lender and legal fees of approximately $15.4 million, which are capitalized and presented as a direct reduction to the related debt instrument in the condensed consolidated balance sheets. These costs are recognized as additional interest expense over the term of the related debt instrument using the effective interest method. In addition, the Company recognized a loss on extinguishment of debt of approximately $1.1 million related to the write-off of unamortized deferred financing costs incurred under the Prior Credit Facility.

The Company must repay the Term Loans in installments of $1.5 million per quarter due on the last day of each quarter beginning with the quarter ending December 31, 2016, with the remaining balance due at maturity in a final installment of $559.5 million. The Term Loans and Revolving Loans are scheduled to mature on September 2, 2023 and September 2, 2021, respectively.

In addition to the installment payments described above, the Credit Facility includes an annual mandatory prepayment of the Term Loans from 50% of the Company's excess cash flow as measured on annual basis, with step-downs to 25% and 0% of the Company's excess cash flow if the Company's Total Leverage Ratio (as defined in the Credit Facility), tested as of the last day of the Company's fiscal year, is less than 4.50 to 1.00 but greater than 3.75 to 1.00, and less than or equal to 3.75 to 1.00, respectively. Excess cash flow is generally defined as the Company's Consolidated

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Net Income (as defined in the Credit Facility) less debt service costs, unfinanced capital expenditures, unfinanced acquisition expenditures, and certain restricted payments, as adjusted for changes in the Company's working capital and less other customary items. The excess cash flow requirement discussed above will commence with the fiscal year ending December 30, 2017.

In addition, the Credit Facility requires mandatory prepayment of the Term Loans from the net cash proceeds of (i) certain debt issuances and (ii) certain asset sales outside the ordinary course of business and from proceeds of property insurance and condemnation events, in each case of this clause (ii) subject to the Company’s right in some circumstances to reinvest such proceeds in the Company’s business. Any voluntary prepayment as part of a repricing transaction shall be accompanied by a prepayment premium equal to 1.0% of the principal amount of such prepayment, if such prepayment is made on or prior to the date that is twelve months after September 2, 2016.

Interest

The Term Loans bear interest, at the Company's option, at either the Eurodollar rate plus a margin of 5.50% or the prime rate plus a margin of 4.50%, with step-downs to 5.00% and 4.00%, respectively, if the Company's First Lien Leverage Ratio (as defined in the Credit Facility) is less than or equal to 4.50 to 1.00. The Eurodollar rate is subject to no floor with respect to the Revolving Loans and an annual 1.00% floor with respect to the Term Loans and the prime rate is subject to a 1.00% floor with respect to the Revolving Loans and a 2.00% floor with respect to the Term Loans. As of September 30, 2017, the interest rate on the outstanding Term Loans balance was 6.74% per annum and the weighted-average interest rate on the outstanding Revolver Loans balance was 6.74% per annum.

The Company is also required to pay a commitment fee on the unused commitments under the Revolving Loans at a rate equal to 0.50% per annum with a step-down to 0.375% per annum, if the Company's First Lien Leverage Ratio is less than or equal to 3.25 to 1.00.

Guarantees

The Credit Facility is secured by liens on substantially all the Company's assets, including a pledge of 100% of the equity interests in the Company's domestic subsidiaries and a pledge of 65% of the voting equity interests and 100% of the non-voting equity interests in the Company's direct foreign subsidiaries. All obligations under the Credit Facility are unconditionally guaranteed by substantially all of the Company's direct and indirect domestic subsidiaries, with certain exceptions, including, among others, certain immaterial subsidiaries, non wholly-owned subsidiaries and subsidiaries prohibited by law, regulation or contract from guaranteeing the obligations under the Credit Facility. These guarantees are secured by substantially all of the present and future property and assets of the guarantors, with certain exceptions, including among others, certain contracts or other agreements to the extent such security interest would be prohibited or restricted by law or by such contract or other agreement, property and assets over which such security interest is not permitted, motor vehicles or other assets covered by a certificate of title or ownership and other property and assets to the extent such security interest would create adverse tax consequences.

Covenants

As of the last day of any fiscal quarter of the Company, the terms of the Credit Facility require the Company and its subsidiaries (on a consolidated basis and subject to certain customary exceptions) to maintain a maximum First Lien Leverage Ratio of not more than 8.50 to 1.00, initially, and decreasing to 6.25 to 1.00 over the term of the Credit Facility, which shall be in effect only when the Revolving Loans and undrawn amounts under Letters of Credit are outstanding in excess of 30% of the Revolving Commitments as of such date. As of September 30, 2017, the Company was in compliance with this financial covenant.

The Credit Facility contains customary affirmative covenants for transactions of this type and other affirmative covenants agreed to by the parties, including, among others, the provision of annual and quarterly financial statements and compliance certificates, maintenance of property, insurance, compliance with laws and environmental matters. The Credit Facility contains customary negative covenants, including, among others, restrictions on the incurrence of indebtedness, granting of liens, making investments and acquisitions, paying dividends, repurchases of equity interests in the Company, entering into affiliate transactions and asset sales. The Credit Facility also provides for a number of customary events of default, including, among others, payment, bankruptcy, covenant, representation and warranty, change of control and judgment defaults.

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Notes Payable

In April 2016, the Company issued $4.0 million in unsecured notes to the sellers of Boundless Nutrition in connection with its acquisition. The notes bear interest at a rate per annum of 0.67% with principal and interest due at varying maturity dates between April 29, 2018 and December 31, 2018. The Company paid off $1.0 million of the outstanding notes payable balance on April 29, 2017. The Company recorded an acquisition-date fair value discount of approximately $0.2 million based on market rates for debt instruments with similar terms (Level 3), which is amortized to interest expense over the term of the notes using the effective-interest method.

In April 2015, the Company issued $3.9 million in unsecured notes to the sellers of Paqui in connection with its acquisition. The notes bear interest at a rate per annum of 1.5% with principal and interest due at maturity on March 31, 2018. The Company recorded an acquisition-date fair value discount of approximately $0.2 million based on market rates for debt instruments with similar terms (Level 3), which is amortized to interest expense over the term of the notes using the effective-interest method.

9. COMMITMENTS AND CONTINGENCIES

Purchase Commitments

The Company entered into certain supply contracts for their popcorn kernels, oils, potatoes, root vegetables and natural ingredients used in Oatmega protein bars. Certain contracts also stipulate that if the Company fails to purchase the stated quantities within the time period specified, the Company has the option to purchase all remaining quantities under the contract, or the seller has the right to assess liquidated damages, including payment of the excess of the contract price over the market price for all remaining contracted quantities not purchased.

The following table shows the remaining outstanding purchase commitments based on the calendar year in which the contract expires:

	Ingredient Commitments
2017	$ 5,905
2018	36,168
2019	3,924
Total	**$ 45,997**

Lease Commitments

The Company entered into an operating lease on February 26, 2015 for its corporate headquarters located in Austin, Texas. On August 1, 2017, the Company entered into an amended lease agreement which expanded the Company's corporate headquarters at its existing location.

Boundless Nutrition entered into an operating lease for an office space and manufacturing facility in November 2014, which the Company assumed as part of the acquisition. In January 2017, the Company exited its Boundless Nutrition lease and entered into a sublease with a third party for the remainder of the lease term. In connection with the lease abandonment, the Company incurred a loss on exit activity of approximately $0.2 million.

Tyrrells Group has several operating leases for office space and manufacturing facilities which the Company assumed as part of the acquisition.

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Rent expense from operating leases totaled approximately $0.4 million and $1.0 million for the 13 and 39 weeks ended September 30, 2017, respectively, and approximately $0.1 million and $0.3 million for the three and nine months ended September 30, 2016, respectively.

As of September 30, 2017, minimum rental commitments under non-cancellable operating leases were as follows (in thousands):

Remainder of 2017	$	506
2018		1,592
2019		1,436
2020		1,383
2021		1,351
Thereafter		3,113
Total	**$**	**9,381**

Legal Matters

From time to time, the Company is subject to claims and assessments in the ordinary course of business. The Company is not currently a party to any litigation matter that, individually or in the aggregate, is expected to have a material adverse effect on the Company's business, financial condition, results from operations or cash flow.

10. INCOME TAXES

For the 39 weeks ended September 30, 2017 and nine months ended September 30, 2016, the Company recorded tax expense of $10.9 million on pre-tax income of $13.3 million and tax expense of $16.1 million on pre-tax income $34.9 million, respectively. The effective tax rate was 82.0% and 46.1% for the 39 weeks ended September 30, 2017 and nine months ended September 30, 2016, respectively. The Company's effective tax rate is dependent on many factors, including the impact of enacted tax laws in jurisdictions in which the Company operates and the amount of taxable income the Company earns within those jurisdictions. The increase in the effective tax rate for the 39 weeks ended September 30, 2017, compared to the nine months ended September 30, 2016, was primarily due to foreign currency gains from the remeasurement of intercompany loans, which were treated as discrete items in the current period, along with the impact of entering foreign jurisdictions in connection with our acquisition of Tyrrells Group in September 2016.

As of September 30, 2017, we have established a long-term liability for an uncertain tax position in the amount of approximately $1.1 million related to pre-acquisition activity by Tyrrells Group. The Company's policy is to accrue interest and penalties related to uncertain tax positions as a component of income tax expense. As of September 30, 2017, the interest associated with the Company's position is not material.

11. EQUITY-BASED COMPENSATION

In July 2015, the Amplify Snack Brands, Inc. 2015 Stock Option and Incentive Plan (the "2015 Plan") was adopted by the Company's board of directors, approved by the Company's stockholders and became effective immediately prior to the consummation of the Company's IPO in August 2015. The 2015 Plan provides for the grant of various equity-based incentive awards to officers, employees, non-employee directors and consultants of the Company and its subsidiaries. The types of awards that may be granted under the 2015 Plan include incentive stock options, non-qualified stock options, restricted stock awards ("RSAs"), restricted stock units ("RSUs"), stock appreciation rights ("SARs") and other equity-based awards.

The Company initially reserved 13,050,000 shares of common stock for issuance under the 2015 Plan, which is subject to certain adjustments for changes in the Company's capital structure, as defined in the 2015 Plan. As of September 30, 2017, 3,803,294 shares were available for issuance under the 2015 Plan. In September 2017, a stock option award to purchase 1,166,173 shares of the Company's common stock was granted to an employee in connection with his appointment as an officer of the Company. This award was granted outside of the 2015 Plan.

For the 13 weeks ended September 30, 2017 and three months ended September 30, 2016, equity-based compensation expense was approximately $1.2 million and $1.8 million, respectively. For the 39 weeks ended September 30, 2017 and nine months ended September 30, 2016, equity-based compensation expense was approximately $2.6 million and $4.0 million, respectively.

RSUs

During the 39 weeks ended September 30, 2017, 790,229 RSUs were granted to certain employees and one non-employee director with a grant date fair value of approximately $6.4 million, which are calculated based on the closing market value of the Company's common stock on the date of grant. The grant date fair value of the RSU awards is amortized to equity-based compensation expense on a straight-line basis over a three or four-year service period based on the terms of the award.

Stock Options

In September 2017, stock options awards to purchase 1,865,877 shares of the Company's common stock were granted to two employees in connection with their appointment as officers of the Company. The grant date fair value of these stock option awards was approximately $4.1 million, which was estimated on the date of grant using the Black-Scholes valuation model. The grant date fair value of stock option awards is amortized to equity-based compensation expense on a straight-line basis over a three-year service period.

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AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(unaudited)

12. SEGMENT INFORMATION

On September 2, 2016, the Company completed the acquisition 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, North America and International. The 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 segments are reported separately based on differences in manufacturing and distribution methods and economic characteristics.

This reporting structure aligns with the way our Chief Operating Decision Maker ("CODM"), our CEO, regularly reviews operating performance of the North America and International segments for purposes of allocating resources, deploying capital and evaluating operating performance. Certain expenses such as professional fees, insurance and costs related to employees who focus on both our domestic and international business have been excluded from our individual segments' profitability measures, along with non-recurring 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 the Tyrrells Group acquisition, the Company operated as one reportable segment with all of its business conducted in North America. Figures from the prior period have be restated to conform with the current period segment information presentation.

We have provided information on our net sales, depreciation, amortization, segment operating income, stock compensation, corporate overhead expenses, loss on change in fair value of contingent consideration and non-recurring transaction expenses. Additionally, we have provided information related to capital expenditures, fixed assets and total assets.

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AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES
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(unaudited)

	13 Weeks Ended September 30, 2017	Three Months Ended September 30, 2016	39 Weeks Ended September 30, 2017	Nine Months Ended September 30, 2016
Net sales:				
North America	$ 63,481	$ 59,494	$ 193,157	$ 173,705
International	31,383	8,488	89,899	8,488
Total net sales	**$ 94,864**	**$ 67,982**	**$ 283,056**	**$ 182,193**
Depreciation expense:				
North America	$ 325	$ 172	$ 825	$ 447
International	1,479	367	4,564	367
Total depreciation expense	**$ 1,804**	**$ 539**	**$ 5,389**	**$ 814**
Amortization of intangible assets:				
North America	$ 1,095	$ 1,105	$ 3,291	$ 3,259
International	732	174	2,135	174
Total amortization expense	**$ 1,827**	**$ 1,279**	**$ 5,426**	**$ 3,433**
Segment operating income (loss):				
North America	$ 19,548	$ 19,407	$ 62,630	$ 61,929
International	261	619	(1,409)	619
Segment operating income	**19,809**	**20,026**	**61,221**	**62,548**
Corporate overhead [1]	(2,703)	(1,737)	(8,604)	(5,400)
Non-recurring and unusual transactions [2]	(546)	(9,024)	(3,703)	(10,113)
(Loss) gain on change in fair value of contingent consideration	(431)	505	(549)	505
Equity-based compensation	(1,152)	(1,803)	(2,553)	(3,972)
Operating income	**14,977**	**7,967**	**45,812**	**43,568**
Reconciliation to income before taxes:				
Interest expense	11,329	5,636	33,307	11,788
Other expense (income), net	102	(4,221)	(789)	(4,221)
Loss on extinguishment of debt	—	1,100	—	1,100
Income before income taxes	**$ 3,546**	**$ 5,452**	**$ 13,294**	**$ 34,901**
Net sales by brand:				
SkinnyPop brand	$ 56,963	$ 53,432	$ 171,752	$ 162,486
Tyrrells brand [3]	25,511	6,891	74,212	6,891
Oatmega brand	4,578	4,095	13,147	6,682
Paqui brand	1,760	1,865	7,512	4,435

Lisa's Chips brand [4]	1,996	703	5,879	703
Thomas Chipman and the Wholesome Food Company brands [5]	4,056	996	10,554	996
Total net sales	**$ 94,864**	**$ 67,982**	**$ 283,056**	**$ 182,193**

[1] Included in corporate overhead are administrative costs required to operate effectively as a public company, recurring professional fees, corporate-related insurance costs, personnel costs of our executive team, and certain individuals within our finance and human resources departments.

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AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES

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(unaudited)

(2) For the 13 and 39 weeks ended September 30, 2017, we incurred severance and integration costs, along with legal, accounting and consulting fees of approximately $0.4 million and $3.0 million, respectively, in connection with the Tyrrells Group acquisition. In addition, we paid fees of approximately $0.1 million and $0.7 million for the 13 and 39 weeks ended September 30, 2017, respectively, to help conduct our search for executive leadership and board of director personnel.

For the three and nine months ended September 30, 2016, we incurred legal, accounting, consulting and ratings agency fees along with severance and integration costs of approximately $9.0 million and $9.5 million, respectively, in connection with the Tyrrells Group and Boundless Nutrition acquisitions. In addition, we incurred legal, accounting, printing and filing fees of approximately $0.6 million for the nine months ended September 30, 2016, in connection with our secondary equity public offering, which closed in May 2016.

(3) Tyrrells brand includes private label net sales of items that were manufactured at our facilities in the United Kingdom.

(4) Lisa's Chips brand includes private label net sales of items that were manufactured at our facility in Germany.

(5) Thomas Chipman and the Wholesome Food Company brands includes private label net sales of items that were manufactured at our facility in Australia.

All of our outstanding debt and notes payable and associated interest expense are held by our North America segment. Interest income was immaterial to both segments.

Customer Concentrations - North America

Customers with 10% or more of our North America segment net sales consist of the following:

	13 Weeks Ended September 30, 2017	Three Months Ended September 30, 2016	39 Weeks Ended September 30, 2017	Nine Months Ended September 30, 2016
Customer:				
Customer one	21%	26%	22%	27%
Customer two	9%	11%	13%	14%

Customer Concentrations - International

Customers with 10% or more of our International segment net sales consist of the following:

	13 Weeks Ended September 30, 2017	Three Months Ended September 30, 2016	39 Weeks Ended September 30, 2017	Nine Months Ended September 30, 2016
Customer:				
Customer three	12%	11%	11%	11%
Customer four	12%	11%	10%	11%

AMPLIFY SNACK BRANDS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

	13 Weeks Ended September 30, 2017	Three Months Ended September 30, 2016	39 Weeks Ended September 30, 2017	Nine Months Ended September 30, 2016
Capital expenditures:				
North America	$ 3,241	$ 1,664	$ 10,964	$ 1,910
International	825	1,070	3,484	1,070
	$ 4,066	**$ 2,734**	**$ 14,448**	**$ 2,980**

Fixed assets:	September 30, 2017	December 31, 2016
North America	$ 14,507	$ 4,168
International	53,530	41,716
	$ 68,037	**$ 45,884**

Total assets:	September 30, 2017	December 31, 2016
North America	$ 412,154	$ 378,658
International	475,234	459,582
	$ 887,388	**$ 838,240**

13. DERIVATIVE FINANCIAL INSTRUMENTS

The Company entered into a foreign currency option contract in August 2016, to hedge its exposure to currency fluctuations in connection with the anticipated acquisition of Tyrrells, because the purchase price was denominated in pounds sterling (£). The Company subsequently terminated this foreign currency option contract and entered into a forward currency exchange contract to purchase £278 million at a US dollar to pound sterling forward rate of 1.3157. In connection with the acquisition of Tyrrells on September 2, 2016, the Company settled this forward currency exchange contract and recorded a gain of approximately $3.6 million, representing the difference between the forward rate of 1.3157 and the spot rate on the settlement date. The Company did not designate this forward currency exchange contract as a cash flow hedge for accounting purposes and the resulting gain was recognized within other income and expense, net in the accompanying condensed consolidated statements of comprehensive income (loss) for the three and nine months ended September 30, 2016.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes thereto included elsewhere in this report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in “Risk Factors” included elsewhere in this report.

Forward-looking Statements

This report contains forward-looking statements within the meaning of the federal securities laws, 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”, "seek", “should”, “expects”, “plans”, “anticipates”, “could”, “intends”, “target”, “projects”, “strategy", "future", “believes”, “estimates”, "goal", “potential”, "likely" or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this report 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 report.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this report 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 report. 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 report. 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 report 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 report to reflect events or circumstances after the date of this report 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.

Our Company and Our Business

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 cookies 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.

Results of Operations

Comparison of 13 Weeks Ended September 30, 2017 and Three Months Ended September 30, 2016

The following table compares our results of operations, including as a percentage of net sales, for the 13 weeks ended September 30, 2017 and the three months ended September 30, 2016.

	13 Weeks Ended September 30, 2017	% of Net Sales	Three Months Ended September 30, 2016	% of Net Sales
Net sales	$ 94,864	100.0%	$ 67,982	100.0 %
Cost of sales	58,948	62.1%	35,646	52.4 %
Gross profit	**35,916**	**37.9%**	**32,336**	**47.6 %**
Operating expenses:				
Sales and marketing	10,914	11.5%	8,903	13.1 %
General and administrative	6,615	7.0%	12,889	19.0 %
Equity-based compensation	1,152	1.2%	1,803	2.7 %
Amortization of intangible assets	1,827	1.9%	1,279	1.9 %
Loss (gain) on change in fair value of contingent consideration	431	0.5%	(505)	(0.7)%
Total operating expenses	20,939	22.1%	24,369	35.8 %
Operating income	**14,977**	**15.8%**	**7,967**	**11.7 %**
Interest expense	11,329	11.9%	5,636	8.3 %
Other expense (income), net	102	0.1%	(4,221)	(6.2)%
Loss on extinguishment of debt	—	—%	1,100	1.6 %
Income before income taxes	3,546	3.7%	5,452	8.0 %

Income tax expense		2,872	3.0%		3,807	5.6 %
Net income	**$**	**674**	**0.7%**	**$**	**1,645**	**2.4 %**

Net Sales

Net sales increased approximately $26.9 million, or 39.5%, to approximately $94.9 million for the 13 weeks ended September 30, 2017, from approximately $68.0 million for the three months ended September 30, 2016. Our acquisition of Tyrrells Group in September 2016 contributed incremental net sales of approximately $23.2 million during the 13 weeks ended September 30, 2017, of which $20.5 million was related to periods we did not own Tyrrells Group and the remaining was organic growth. Excluding the acquired net sales contribution from Tyrrells Group, the Company's organic net sales grew by 9.4%. Our SkinnyPop brand was the primary contributor of the remaining increase to net sales for the comparable periods.

North America Segment

Within our North America segment, net sales increased to approximately $63.5 million for the 13 weeks ended September 30, 2017, from approximately $59.5 million for the three months ended September 30, 2016, representing an increase of approximately $4.0 million, or 6.7%. The increase in net sales was primarily driven by our SkinnyPop brand, including its new innovation products.

International Segment

Our International segment contributed net sales of approximately $31.4 million for the 13 weeks ended September 30, 2017, compared to approximately $8.5 million for the three months ended September 30, 2016, representing an increase of approximately $22.9 million, or 269.7%. $20.4 million of the net sales growth is related to periods which we did not own Tyrrells, with the remaining $2.5 million representing organic segment growth of 29%.

Gross Profit

Gross profit increased to approximately $35.9 million for the 13 weeks ended September 30, 2017 from approximately $32.3 million for the three months ended September 30, 2016, representing an increase of approximately $3.6 million, or 11.1%. The increase in gross profit was attributable to increased net sales for the 13 weeks ended September 30, 2017, offset in part by higher promotional activity and incremental cost of sales due to product mix.

Gross profit as a percent of net sales decreased approximately 9.7 points from 47.6% for the three months ended September 30, 2016 to 37.9% for the 13 weeks ended September 30, 2017. The decrease in gross margin was primarily driven by the Tyrrells acquisition, which we did not own for the entire prior year period, along with increased promotional activity across the portfolio. To a lesser extent, we were unfavorably impacted by increased contributions of our Oatmega, Paqui and SkinnyPop innovation products, all of which have a lower gross margin profile than our SkinnyPop RTE product.

Our North America segment's gross margin was 47.8% for the 13 weeks ended September 30, 2017, as compared to 50.5% for the three months ended September 30, 2016. Our North America segment's gross margin percentage was lower due to product mix as result of higher contributions from new products and our emerging brands, Oatmega and Paqui.

Our International segment's gross margin was 17.7% for the 13 weeks ended September 30, 2017 compared to 27.1% for the three months ended September 30, 2016. Our International segment's gross margin percentage for the 13 weeks ended September 30, 2017 was unfavorably impacted by higher mix of private label versus branded products, higher promotional spending, higher product and production-related costs as compared to the three months ended September 30, 2016.

Sales and Marketing Expenses

Sales and marketing expenses increased to approximately $10.9 million for the 13 weeks ended September 30, 2017 from approximately $8.9 million for the three months ended September 30, 2016, representing an increase of approximately $2.0 million, or 22.6%. Our acquisition of Tyrrells Group in September 2016, contributed approximately $1.7 million of incremental sales and marketing expense during the 13 weeks ended September 30, 2017. As a percentage of net sales, sales and marketing expenses were 11.5% and 13.1% for the 13 weeks ended September 30, 2017 and three months ended September 30, 2016, respectively.

North America Segment

Sales and marketing expenses within our North America segment were approximately $7.6 million for the 13 weeks ended September 30, 2017, compared to approximately $8.1 million for the three months ended September 30, 2016, representing a decrease of approximately $0.5 million, or 5.7%. The decrease in sales and marketing expenses was primarily related to packaging obsolescence, during the three months ended September 30, 2016, which resulted in a charge of approximately $0.6 million. As a percentage of segment net sales, sales and marketing expenses decreased to 12.0% for the 13 weeks ended September 30, 2017 compared to 13.6% for the three months ended September 30, 2016

International Segment

Our International segment accounted for approximately $3.3 million of our consolidated sales and marketing expenses for the 13 weeks ended September 30, 2017, compared to approximately $0.8 million for the three months ended September 30, 2016. The increase of $2.5 million was related to $1.7 million of incremental sales and marketing from the acquisition of Tyrrells Group, $0.3 million of acquisition-related severance expense, with the remaining $0.5 million increase primarily due to incremental investment in advertising. As a percentage of our International segment's net sales, sales and marketing expenses were 10.5% for the 13 weeks ended September 30, 2017, compared to 9.2% for the three months ended September 30, 2016.

General and Administrative Expenses

General and administrative expenses decreased to approximately $6.6 million for the 13 weeks ended September 30, 2017 from approximately $12.9 million for the three months ended September 30, 2016, representing a decrease of approximately $6.3 million, or 48.7%. During the three months ended September 30, 2016, we incurred approximately $8.6 million of transaction-related expenses associated with the acquisitions of Tyrrells Group and Boundless Nutrition. Our acquisition of Tyrrells Group contributed an incremental $2.1 million of general and administrative expenses for the 13 weeks ended September 30, 2017.

North America Segment

General and administrative expenses, excluding corporate overhead, within our North America segment were approximately $2.4 million, or 3.7% of segment net sales for the 13 weeks ended September 30, 2017, compared to approximately $10.3 million or 17.3% of segment net sales for the three months ended September 30, 2016, representing a decrease of $7.9 million. For the 13 weeks ended September 30, 2017 and the three months ended September 30, 2016, we incurred $0.2 million and $8.9 million of general and administrative expenses primarily related to the acquisitions of Tyrrells Group and Boundless Nutrition that we consider non-recurring in nature. During the 13 weeks ended September 30, 2017, the reduction in acquisition related expenses of $8.7 million, was off set in part by an increase of general and administrative expenses of $0.8 million, primarily related to increased personnel costs and the expansion of office space at our corporate headquarters.

International Segment

General and administrative expenses, excluding corporate overhead, within our International segment were approximately $1.5 million or 5.0% of segment net sales for the 13 weeks ended September 30, 2017, compared to approximately $0.9 million or 10.6% of segment net sales for the three months ended September 30, 2016. The decrease in segment general and administrative expenses as a percent of net sales was attributable to $0.2 million of acquisition-related expenses during the three months ended September 30, 2016, that did not reoccur in the 13 weeks ended September 30, 2017, in addition to decreased personnel cost.

Corporate Overhead

General and administrative expenses also include corporate overhead, which is excluded from our North America and International segments' profitability measure, Segment Operating Income. Corporate overhead includes administrative costs required to operate effectively as a public company, recurring professional fees, corporate-related insurance costs, personnel costs of our executive team and certain individuals within our finance and human resources departments. Corporate overhead increased by approximately $1.0 million, or 55.6%, to approximately $2.7 million for the 13 weeks ended September 30, 2017, compared to approximately $1.7 million for the three months ended September 30, 2016. Our acquisition of Tyrrells Group in September 2016, contributed approximately $0.4 million of incremental corporate overhead for the 13 weeks ended September 30, 2017. The remaining increase in corporate overhead was primarily related to an increase in professional fees for the comparable periods.

Equity-based Compensation

Equity-based compensation decreased approximately $0.6 million, or 36.1%, to approximately $1.2 million for the 13 weeks ended September 30, 2017, compared to approximately $1.8 million for the three months ended September 30, 2016. The fair value of equity awards issued to non-employees varies based on our stock price, which resulted in a decrease to equity-based compensation of approximately $0.6 million for the comparable periods. During the three months ended September 30, 2016, we accelerated vesting of options concurrent with the termination of an employee and recognized equity-based compensation of approximately $0.3 million equal to the fair value of the modified award. These decreases to equity-based compensation were partially offset by incremental equity-based compensation associated with the award of restricted stock units and stock options to employees.

Amortization of Intangible Assets

Amortization of intangible assets was approximately $1.8 million for the 13 weeks ended September 30, 2017, compared to approximately $1.3 million for the three months ended September 30, 2016, representing an increase of approximately $0.5 million, or 42.8%. The increase in amortization of intangible assets is associated with the estimated fair value of customer relationships (definite-lived intangible asset) acquired from Tyrrells Group in September 2016.

Loss on Change in Fair Value of Contingent Consideration

In addition to the base purchase price consideration paid at closing for Paqui in April 2015 and Oatmega in April 2016, the respective acquisition agreements require that we pay additional purchase price earn-out consideration contingent upon the achievement of a defined contribution margin during 2018. We established the fair value of contingent consideration based on the facts and circumstances that existed as of the respective acquisition dates. At each report date, we remeasure the fair value of contingent consideration based on current forecasts of Paqui and Oatmega operating results in 2018, which resulted in a non-cash loss of approximately $0.4 million for the 13 weeks ended September 30, 2017, compared to a non-cash gain of approximately $0.5 million for the three months ended September 30, 2016.

Interest Expense

Interest expense was approximately $11.3 million for the 13 weeks ended September 30, 2017, compared to approximately $5.6 million for the three months ended September 30, 2016, representing an increase of approximately $5.7 million, or 101.0%. The increase in interest expense was primarily attributable to additional average indebtedness outstanding during the 13 weeks ended September 30, 2017 as compared to the three months ended September 30, 2016, as a result of our Tyrrells Group acquisition in September 2016.

Other Expense (Income), Net

Other expense, net for the 13 weeks ended September 30, 2017 of approximately $0.1 million, includes losses from foreign currency transactions of approximately $0.2 million, primarily related to the remeasurement of intercompany loans, offset by sublease income of approximately $0.1 million.

Other income, net for the three months ended September 30, 2016 of approximately $4.2 million, includes a gain of approximately $3.6 million associated with the settlement of a forward currency exchange contract in September 2016, which was entered into in connection with our acquisition of Tyrrells Group. The remaining $0.6 million in other income, net for the three months ended September 30, 2016 represents gains from foreign currency transactions.

Loss on Extinguishment of Debt

We paid off all outstanding indebtedness under our prior credit facility on September 2, 2016 and recognized a loss on extinguishment of debt of approximately $1.1 million, related to write-off of unamortized deferred financing costs incurred under the prior credit facility.

Income Tax Expense

Income tax expense decreased to $2.9 million for the 13 weeks ended September 30, 2017, from $3.8 million for the three months ended September 30, 2016, representing a decrease of approximately $0.9 million, or 24.6%. The effective tax rate was 81.0% for the 13 weeks ended September 30, 2017 and 69.8% for the three months ended September 30, 2016. The increase in the effective tax rate was primarily due to foreign currency gains from the remeasurement of intercompany loans, which were treated as discrete items in the current period, along with the impact of entering foreign jurisdictions in connection with our acquisition of Tyrrells Group in September 2016.

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Results of Operations

Comparison of 39 Weeks Ended September 30, 2017 and Nine Months Ended September 30, 2016

The following table compares our results of operations, including as a percentage of net sales, for the 39 weeks ended September 30, 2017 and the nine months ended September 30, 2016.

	39 Weeks Ended September 30, 2017	% of Net Sales	Nine Months Ended September 30, 2016	% of Net Sales
Net sales	$ 283,056	100.0 %	$ 182,193	100.0 %
Cost of sales	173,365	61.2 %	88,891	48.8 %
Gross profit	**109,691**	**38.8 %**	**93,302**	**51.2 %**
Operating expenses:				
Sales & marketing	33,230	11.7 %	22,551	12.4 %
General & administrative	22,121	7.8 %	20,283	11.1 %
Equity-based compensation	2,553	0.9 %	3,972	2.2 %
Amortization of intangible assets	5,426	1.9 %	3,433	1.9 %
Loss (gain) on change in fair value of contingent consideration	549	0.2 %	(505)	(0.3)%
Total operating expenses	63,879	22.6 %	49,734	27.3 %
Operating income	**45,812**	**16.2 %**	**43,568**	**23.9 %**
Interest expense	33,307	11.8 %	11,788	6.5 %
Other income, net	(789)	(0.3)%	(4,221)	(2.3)
Loss on extinguishment of debt	—	— %	1,100	0.6 %
Income before income taxes	13,294	4.7 %	34,901	19.1 %
Income tax expense	10,906	3.9 %	16,086	8.8 %
Net income	**$ 2,388**	**0.8 %**	**$ 18,815**	**10.3 %**

Net Sales

Net sales for the 39 weeks ended September 30, 2017, were approximately $283.1 million as compared to approximately $182.2 million for the nine months ended September 30, 2016, representing an increase of approximately $100.9 million, or 55.4%. Our acquisition of Tyrrells Group in September 2016 and the Oatmega brand via our acquisition of Boundless Nutrition in April 2016, contributed incremental net sales of approximately $88.9 million during the 39 weeks ending September 30, 2017, of which $85.1 million is related to periods we did not own Tyrrells Group and Oatmega. Excluding the acquired net sales contribution from Tyrrells Group and Oatmega, the Company's organic net sales grew by 8.6%, driven by growth of our SkinnyPop and Paqui brands.

North America Segment

Within our North America segment, net sales increased to $193.2 million for the 39 weeks ended September 30, 2017, from $173.7 million for the nine months ended September 30, 2016, representing an increase of $19.5 million, or 11.2%.

Within our North America Segment, the SkinnyPop brand contributed net sales of approximately $171.1 million for the 39 weeks ended September 30, 2017, representing an increase of approximately $8.6 million, or 5.3%, from the nine months ended September 30, 2016, which was largely driven by new product innovation.

Our Oatmega brand, which we acquired in late April 2016, contributed net sales of approximately $13.1 million during the 39 weeks ended September 30, 2017, compared to approximately $6.7 million for the nine months ended September 30, 2016. Of the $6.4 million increase in net sales, approximately $5.3 million is related to periods we did not own the brand in the prior year.

Our Paqui brand contributed net sales of approximately $7.5 million for the 39 weeks ended September 30, 2017, representing an increase of approximately $3.1 million, or 69.4%, from the nine months ended September 30, 2016, which was primarily driven by promotional activity, as well as increased distribution and improved velocities.

International Segment

Our International segment contributed net sales of approximately $89.9 million for the 39 weeks ended September 30, 2017, compared to approximately $8.5 million of net sales during the approximate one month we owned Tyrrells Group during the nine months ended September 30, 2016, representing an increase of approximately $81.4 million. $78.9 million of the net sales growth is related to periods which we did not own Tyrrells, with the remaining $2.5 million representing organic growth.

Gross Profit

Gross profit increased to approximately $109.7 million for the 39 weeks ended September 30, 2017, from approximately $93.3 million for the nine months ended September 30, 2016, representing an increase of approximately $16.4 million, or 17.6%. The increase in gross profit was primarily driven by higher net sales contributions from the acquisitions of Tyrrells Group and Oatmega brands' gross profit. Gross profit as a percent of net sales decreased 12.4 points to 38.8% for the 39 weeks ended September 30, 2017 from 51.2% for the nine months ended September 30, 2016. The decrease in gross margin was primarily driven by the Tyrrells Group acquisition, which we did not own for the full prior year period, as well as increased promotional activity across the portfolio and product mix.

Our North America segment's gross margin was 49.0% for the 39 weeks ended September 30, 2017, compared to 52.4% for the nine months ended September 30, 2016. The decrease in our North America segment's gross margin is primarily due to increased promotional activity and product mix associated with our SkinnyPop innovation products and our Paqui and Oatmega brands growing faster than our SkinnyPop RTE products.

Our International segment's gross margin was 16.8% for the 39 weeks ended September 30, 2017, compared to 27.1% for the nine months ended September 30, 2016. Our International segment's gross margin percentage was lower than historical averages, primarily due to a higher sales mix of private label versus branded products, higher promotional spending, higher product and production-related costs, including depreciation, in our manufacturing facilities.

Sales and Marketing Expenses

Sales and marketing expenses increased to approximately $33.2 million for the 39 weeks ended September 30, 2017, from approximately $22.6 million for the nine months ended September 30, 2016, representing an increase of approximately $10.6 million, or 47.4%. Our acquisitions of Tyrrells Group in September 2016 and Oatmega in April 2016, contributed approximately $8.2 million and $0.9 million, respectively, of incremental sales and marketing expenses for the 39 weeks ended September 30, 2017, with the remaining increase primarily related to sales-related activities. As a percentage of net sales, sales and marketing expenses were 11.7% and 12.4% for the 39 weeks ended September 30, 2017 and nine months ended September 30, 2016, respectively.

North America Segment

Sales and marketing expenses within our North America segment were approximately $23.4 million for the 39 weeks ended September 30, 2017, compared to approximately $21.8 million for the nine months ended September 30, 2016, representing an increase of approximately $1.6 million, or 7.7%. The increase in sales and marketing expenses included a $1.7 million increase in sales-related activities, $0.4 million in increased personnel costs, offset in part by a reduction of packaging obsolescence of $0.4 million. Included in these increases are approximately $0.9 million of incremental expenses from our Oatmega brand incurred during periods we did not own them in the prior year. As a percentage of segment net sales, sales and marketing expenses decreased to 12.1% for the 39 weeks ended September 30, 2017 from 12.5% for the nine months ended September 30, 2016.

International Segment

Our International segment accounted for approximately $9.8 million and $0.8 million of our consolidated sales and marketing expenses for the 39 weeks ended September 30, 2017 and nine months ended September 30, 2016, respectively, representing an increase of $9.0 million, of which $8.2 million is related to the period we did not own Tyrrells Group in the prior year. As a percentage of our International segment's net sales, sales and marketing expenses were 11.0% for the 39 weeks ended September 30, 2017 and 9.2% for the nine months ended September 30, 2016. The increase in sales and marketing expense as a percentage of net sales for the 39 weeks ended September 30, 2017, is attributable to $0.7 million of severance expense, as well as incremental investments in advertising.

General and Administrative Expenses

General and administrative expenses increased to approximately $22.1 million for the 39 weeks ended September 30, 2017, from approximately $20.3 million for the nine months ended September 30, 2016, representing an increase of approximately $1.8 million, or 9.1%. Our acquisitions of Tyrrells Group in September 2016 and the Oatmega brand via our acquisition of Boundless Nutrition in April 2016, contributed approximately $8.0 million and $0.2 million, respectively, of incremental general and administrative expenses, as well as approximately $3.7 million of acquisition-related expenses and executive recruitment costs during the 39 weeks ended September 30, 2017. These increases in general and administrative expenses were offset by approximately $9.5 million of acquisition-related expenses in connection with our acquisition of Tyrrells Group in September 2016 and Boundless Nutrition in April 2016, as well as approximately $0.6 million related to our secondary public equity offering, which closed in May 2016, which only occurred during the nine months ended September 30, 2016.

North America Segment

General and administrative expenses, excluding corporate overhead, within our North America segment were approximately $6.9 million or 3.6% of segment net sales for the 39 weeks ended September 30, 2017, compared to approximately $14.0 million or 8.1% of segment net sales for the nine months ended September 30, 2016, representing a decrease of approximately $7.1 million. The decrease is primarily attributable to a reduction of $8.2 million of expenses that we consider non-recurring in nature. For the 39 weeks ended September 30, 2017, we incurred approximately $1.0 million related to acquisition-related expenses associated with the Tyrrells Group acquisition and $0.7 million in executive recruitment costs and during the nine months ended September 30, 2016 we incurred $9.3 of acquisition-related expenses related to the Tyrrells Group and Boundless Nutrition acquisitions and $0.6 million of expenses associated with our secondary offering. The decrease in non-recurring expenses was offset in part by an increase of $1.1 million in general and administrative expenses that is primarily a result of our investment in personnel to effectively scale and manage our North American operations.

International Segment

General and administrative expenses, excluding corporate overhead, within our International segment were approximately $6.6 million or 7.3% of segment net sales for the 39 weeks ended September 30, 2017, compared to approximately $0.9 million or 10.6% or segment net sales for the nine months ended September 30, 2016. Our acquisition of Tyrrells Group in September 2016 contributed approximately $6.2 million of incremental general and administrative expenses related to the period we did not own the business in the prior year.

Corporate Overhead

General and administrative expenses also include corporate overhead, which is excluded from our North America and International segments' profitability measure, Segment Operating Income. Corporate overhead includes administrative costs required to operate effectively as a public company, recurring professional fees, corporate-related insurance costs, personnel costs of our executive team and certain individuals within our finance and human resources departments. Corporate overhead increased to $8.6 million for the 39 weeks ended September 30, 2017 from $5.4 million for the nine months ended September 30, 2016, representing an increase of approximately $3.2 million, or 59.3%. Our acquisition of Tyrrells Group in September 2016, contributed approximately $1.4 million in corporate overhead for the 39 weeks ended September 30, 2017. The remaining increase in corporate overhead is attributable to a $1.1 million increase in professional fees with the remaining increase related to personnel investments.

Equity-based Compensation

Equity-based compensation decreased approximately $1.4 million, or 35.7%, to approximately $2.6 million for the 39 weeks ended September 30, 2017, from approximately $4.0 million for the nine months ended September 30, 2016. The decrease in equity-based compensation was attributable to award forfeitures of approximately $2.9 million during the 39 weeks ended September 30, 2017. The fair value of equity awards issued to non-employees varies based on our stock price which resulted in a decrease to equity-based compensation of approximately $0.8 million for the comparable year-to-date periods. Lastly, during the nine months ended September 30, 2016, we accelerated vesting of options concurrent with the termination of an employee and recognized equity-based compensation of approximately $0.3 million equal to the fair value of the modified award. These decreases to equity-based compensation were partially offset by incremental equity-based compensation of approximately $2.6 million associated with the award of restricted stock units and stock options to employees.

Amortization of Intangible Assets

Amortization of intangible assets increased to approximately $5.4 million for the 39 weeks ended September 30, 2017, from approximately $3.4 million for the nine months ended September 30, 2016, representing an increase of approximately $2.0 million, or 58.1%. The increase in amortization of intangible assets is associated with the estimated fair value of customer relationships (finite-lived intangible asset) acquired from Tyrrells Group in September 2016.

Gain/Loss on Change in Fair Value of Contingent Consideration

In addition to the base purchase price consideration paid at closing for Paqui in April 2015 and Oatmega in April 2016, the respective acquisition agreements require that we pay additional purchase price earn-out consideration contingent upon the achievement of a defined contribution margin during 2018. We established the fair value of contingent consideration based on the facts and circumstances that existed as of the respective acquisition dates. At each report date, we remeasure the fair value of contingent consideration based on current forecasts of Paqui and Oatmega operating results in 2018, which resulted in a non-cash loss of approximately $0.5 million for the 39 weeks ended September 30, 2017 compared to a non-cash gain of approximately $0.5 million for the nine months ended September 30, 2016.

Interest Expense

Interest expense increased to $33.3 million for the 39 weeks ended September 30, 2017 from $11.8 million for the nine months ended September 30, 2016, representing an increase of approximately $21.5 million, or 182.6%. The increase in interest expense was primarily attributable to additional indebtedness outstanding during the 39 weeks ended September 30, 2017, as a result of our acquisition of Tyrrells Group, as compared to the nine months ended September 30, 2016. Our interest rate was also over 100 basis points higher during the 39 weeks ended September 30, 2017 compared to the nine months ending September 30, 2016, resulting in incremental interest expense.

Other Income, Net

Other income, net for the 39 weeks ended September 30, 2017 of approximately $0.8 million, includes (i) gains from foreign currency transactions of approximately $0.9 million, which are primarily related to the remeasurement of intercompany loans; (ii) sublease income of approximately $0.1 million; and (iii) a loss on exit activity of approximately $0.2 million, related to our abandonment of a facility lease and entry into a sub-lease agreement in January 2017.

Other income, net for the nine months ended September 30, 2016 of approximately $4.2 million, includes a gain of approximately $3.6 million associated with the settlement of a forward currency exchange contract in September 2016, which was entered into in connection with our acquisition of Tyrrells Group. The remaining $0.6 million represents gains from foreign currency transactions.

Loss on Extinguishment of Debt

We paid off all outstanding indebtedness under our prior credit facility on September 2, 2016 and recognized a loss on extinguishment of debt of approximately $1.1 million, related to write-off of unamortized deferred financing costs incurred under the prior credit facility.

Income Tax Expense

Income tax expense decreased to $10.9 million for the 39 weeks ended September 30, 2017 from $16.1 million for the nine months ended September 30, 2016, representing a decrease of approximately $5.2 million, or 32.2%. The effective tax rate was 82.0% for the 39 weeks ended September 30, 2017 and 46.1% for the nine months ended September 30, 2016. The increase in the effective tax rate was primarily due to foreign currency gains from the remeasurement of intercompany loans, which were treated as discrete items in the current period, along with the impact of entering foreign jurisdictions in connection with our acquisition of Tyrrells Group in September 2016.

Liquidity and Capital Resources

Liquidity represents our ability to generate sufficient cash from operating activities to satisfy obligations, as well as our ability to obtain appropriate financing. Therefore, liquidity cannot be considered separately from capital resources that consist primarily of current and potentially available funds for use in achieving our objectives. Currently, our liquidity needs arise mainly from working capital requirements and general corporate purposes, including capital expenditures and debt service. We believe our cash on hand and cash to be provided from our operations, in addition to borrowings available under our Revolving Loans, will be sufficient to fund our contractual commitments and repay our obligations as required and meet our operational requirements for at least the next 12 months. Under the terms of the Credit Facility, we are permitted to raise additional Revolving and Term Loans with existing and new lenders. As of September 30, 2017, we had $40.7 million of available capacity under our Revolving Loans.

As of September 30, 2017, we had $8.3 million of cash and cash equivalents on hand. We maintain cash and cash equivalents at various financial institutions located throughout the world. Approximately $4.1 million or 50% of these amounts were held in domestic accounts and approximately $4.2 million or 50% of these amounts were held in accounts outside of the United States with various financial institutions. It is the Company's intention to indefinitely reinvest all foreign earnings outside the United States, therefore no provision for U.S. federal or state income taxes on those earnings has been recorded. In the event that management elects, for any reason in the future, to repatriate some or all of the foreign earnings that were previously deemed to be indefinitely reinvested outside of the United States, we would incur additional U.S. tax expense upon such repatriation that is not currently accrued in our consolidated financial statements.

We plan to defer our annual TRA payment as a result of utilizing the postponed deadlines provided to us under Hurricane Harvey tax relief. As a result of this relief, we estimate that we will pay approximately $7.1 million under the TRA in March 2018, and we expect the remaining annual payments to be significant through 2030.

Historical Cash Flow

Comparison of 39 Weeks Ended September 30, 2017 and Nine Months Ended September 30, 2016

The following table summarizes our cash flows from operating, investing and financing activities:

(In thousands)	**39 Weeks Ended September 30, 2017**	**Nine Months Ended September 30, 2016**	**Change**
Cash flows provided by (used in):			
Operating activities	$ 16,478	$ (2,319)	$ 18,797
Investing activities	(14,359)	(385,117)	370,758
Financing activities	(4,976)	386,090	(391,066)
Effect of exchange rate changes on cash and cash equivalents	845	(218)	1,063
Net decrease in cash	**$ (2,012)**	**$ (1,564)**	**$ (448)**

Operating Activities

Net cash provided by operating activities was approximately $16.5 million for the 39 weeks ended September 30, 2017, compared to net cash used in operating activities of approximately $2.3 million for the nine months ended September 30, 2016, representing an increase in cash provided by operating activities of approximately $18.8 million for the comparable periods. The increase in cash provided by operating activities was primarily due to a payment of $23.0 million made to the founders of SkinnyPop Popcorn LLC ("SkinnyPop") during the nine months ended September 30, 2016, related to their employment agreements entered into in connection with our acquisition SkinnyPop in July 2014. Changes in our operating assets and liabilities resulted in a net use of cash of approximately $9.4 million and $10.3 million during the 39 weeks ended September 30, 2017 and nine months ended September 30, 2016, respectively. This fluctuation in our operating assets and liabilities is primarily a result of increased working capital needs for the business, primarily related to accounts receivable and inventory. The increase in cash provided by operating activities described above was partially offset by an increase in interest and income tax payments of approximately $10.9 million associated with our increased indebtedness for the comparable periods. Refer to the Indebtedness discussion below for additional details.

Investing Activities

Net cash used in investing activities decreased approximately $370.7 million to approximately $14.4 million for the 39 weeks ended September 30, 2017 from approximately $385.1 million for the nine months ended September 30, 2016. During the nine months ended September 30, 2016, we used approximately $365.6 million to acquire Tyrrells Group and approximately $16.5 million to acquire Boundless Nutrition, net of cash acquired, and made capital expenditures of approximately $3.0 million. During the 39 weeks ended September 30, 2017, we used cash of approximately $14.4 million to acquire property, plant and equipment to increase our manufacturing capacity domestically and equipment to achieve productivity savings.

Financing Activities

Net cash used in financing activities was approximately $5.0 million for the 39 weeks ended September 30, 2017, compared to net cash provided by financing activities of approximately $386.1 million for the nine months ended September 30, 2016, representing a decrease in cash provided by financing activities of approximately $391.1 million for the comparable periods.

During the nine months ended September 30, 2016, we borrowed from Term Loans in full under our Credit Facility to finance our acquisition of Tyrrells Group and to pay off all outstanding indebtedness under our Prior Credit Facility. We received $593.4 million in proceeds from the Term Loans, net of an original issue discount ("OID") of $6.6 million, and paid lender and legal fees of approximately $15.5 million in connection with the issuance of our Credit Facility. We used $189.7 million in proceeds from Term Loans under our Credit Facility to pay off outstanding indebtedness on a term loan under the Prior Credit Facility.

During the 39 weeks ended September 30, 2017 and nine months ended September 30, 2016, we increased our revolving credit facility balance by $1.0 million and $5.5 million, respectively. We also made principal payments totaling $4.5 million and $7.6 million toward the outstanding balance on our term loans during the 39 weeks ended September 30, 2017 and nine months ended September 30, 2016, respectively. Lastly, we paid off $1.0 million of our outstanding notes payable balance during the 39 weeks ended September 30, 2017.

Tax Receivable Agreement ("TRA")

As discussed in Note 1, immediately prior to the consummation of the IPO in August 2015, we entered into the TRA, with the former holders of units in Topco. In December 2015, all of the former holders of units in Topco collectively assigned their interests to a new counterparty. The TRA generally provides for payment by us to the counterparty of 85% of the U.S. federal, state and local tax benefits realized by us and our subsidiaries from the utilization of certain tax attributes that were generated when SkinnyPop Popcorn LLC was acquired by investment funds affiliated with TA Associates in July 2014. We will retain approximately 15% of the U.S. federal, state and local tax benefits realized from the utilization of such tax attributes. We expect the payments we are required to make under the TRA will be substantial. Assuming no material changes in the relevant tax law and that we earn sufficient taxable income to realize all tax benefits that are subject to the TRA, we expect to be required to pay the counterparty approximately $96.1 million through 2030. We made the first annual payment of approximately $6.6 million under the TRA in October 2016. As a result of utilizing the postponed deadlines provided to us under Hurricane Harvey tax relief, we expect to make our second annual payment in March 2018, which we estimate will be approximately $7.1 million.

Indebtedness

Credit Facility

In connection with the acquisition of Tyrrells Group, the Company entered into a Credit Agreement on September 2, 2016 (the "Credit Facility"), which provided for term loans in the aggregate principal amount of $600 million (the "Term Loans") and revolving loans in the aggregate principal amount of $50 million (the "Revolving Loans"), of which $20 million is denominated in pounds sterling. The Company borrowed from the Term Loans in full to finance the acquisition of Tyrrells Group and pay down all outstanding indebtedness under the Credit Agreement entered into on July 17, 2014 (the "Prior Credit Facility"). As of September 30, 2017, the Company had $40.7 million of available capacity under the Revolving Loans.

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In connection with the issuance of the Credit Facility, the Company incurred an original issue discount ("OID") of approximately $6.6 million and paid lender and legal fees of approximately $15.4 million, which are capitalized and presented as a direct reduction to the related debt instrument in the condensed consolidated balance sheets. These costs are recognized as additional interest expense over the term of the related debt instrument using the effective interest method.

The Company must repay the Term Loans in installments of $1.5 million per quarter due on the last day of each quarter beginning with the quarter ending December 31, 2016, with the remaining balance due at maturity in a final installment of $559.5 million. The Term Loans and Revolving Loans are scheduled to mature on September 2, 2023 and September 2, 2021, respectively.

In addition to the installment payments described above, the Credit Facility includes an annual mandatory prepayment of the Term Loans from 50% of the Company's excess cash flow as measured on annual basis, with step-downs to 25% and 0% of the Company's excess cash flow if the Company's Total Leverage Ratio (as defined in the Credit Facility), tested as of the last day of the Company's fiscal year, is less than 4.50 to 1.00 but greater than 3.75 to 1.00, and less than or equal to 3.75 to 1.00, respectively. Excess cash flow is generally defined as the Company's Consolidated Net Income (as defined in the Credit Facility) less debt service costs, unfinanced capital expenditures, unfinanced acquisition expenditures, and certain restricted payments, as adjusted for changes in the Company's working capital and less other customary items. The excess cash flow requirement discussed above will commence with the fiscal year ending December 30, 2017.

In addition, the Credit Facility requires mandatory prepayment of the Term Loans from the net cash proceeds of (i) certain debt issuances and (ii) certain asset sales outside the ordinary course of business and from proceeds of property insurance and condemnation events, in each case of this clause (ii) subject to the Company’s right in some circumstances to reinvest such proceeds in the Company’s business. Any voluntary prepayment as part of a repricing transaction shall be accompanied by a prepayment premium equal to 1.0% of the principal amount of such prepayment, if such prepayment is made on or prior to the date that is twelve months after September 2, 2016.

Interest

The Term Loans bear interest, at the Company's option, at either the Eurodollar rate plus a margin of 5.50% or the prime rate plus a margin of 4.50%, with step-downs to 5.00% and 4.00%, respectively, if the Company's First Lien Leverage Ratio (as defined in the Credit Facility) is less than or equal to 4.50 to 1.00. The Eurodollar rate is subject to no floor with respect to the Revolving Loans and an annual 1.00% floor with respect to the Term Loans and the prime rate is subject to a 1.00% floor with respect to the Revolving Loans and a 2.00% floor with respect to the Term Loans. As of September 30, 2017, the interest rate on the outstanding Term Loans balance was 6.74% per annum and the weighted-average interest rate on the outstanding Revolver Loans balance was 6.74% per annum.

The Company is also required to pay a commitment fee on the unused commitments under the Revolving Loans at a rate equal to 0.50% per annum with a step-down to 0.375% per annum, if the Company's First Lien Leverage Ratio is less than or equal to 3.25 to 1.00.

Guarantees

The Credit Facility is secured by liens on substantially all the Company's assets, including a pledge of 100% of the equity interests in the Company's domestic subsidiaries and a pledge of 65% of the voting equity interests and 100% of the non-voting equity interests in the Company's direct foreign subsidiaries. All obligations under the Credit Facility are unconditionally guaranteed by substantially all of the Company's direct and indirect domestic subsidiaries, with certain exceptions, including, among others, certain immaterial subsidiaries, non wholly-owned subsidiaries and subsidiaries prohibited by law, regulation or contract from guaranteeing the obligations under the Credit Facility. These guarantees are secured by substantially all of the present and future property and assets of the guarantors, with certain exceptions, including among others, certain contracts or other agreements to the extent such security interest would be prohibited or restricted by law or by such contract or other agreement, property and assets over which such security interest is not permitted, motor vehicles or other assets covered by a certificate of title or ownership and other property and assets to the extent such security interest would create adverse tax consequences.

Covenants

As of the last day of any fiscal quarter of the Company, the terms of the Credit Facility require the Company and its subsidiaries (on a consolidated basis and subject to certain customary exceptions) to maintain a maximum First Lien Leverage Ratio of not more than 8.50 to 1.00, initially, and decreasing to 6.25 to 1.00 over the term of the Credit Facility, which shall be in effect only when the Revolving Loans and undrawn amounts under Letters of Credit are outstanding in excess of 30% of the Revolving Commitments as of such date. As of September 30, 2017, the Company was in compliance with this financial covenant.

The Credit Facility contains customary affirmative covenants for transactions of this type and other affirmative covenants agreed to by the parties, including, among others, the provision of annual and quarterly financial statements and compliance certificates, maintenance of property, insurance, compliance with laws and environmental matters. The Credit Facility contains customary negative covenants, including, among others, restrictions on the incurrence of indebtedness, granting of liens, making investments and acquisitions, paying dividends, repurchases of equity interests in the Company, entering into affiliate transactions and asset sales. The Credit Facility also provides for a number of customary events of default, including, among others, payment, bankruptcy, covenant, representation and warranty, change of control and judgment defaults.

Notes Payable

In April 2016, the Company issued $4.0 million in unsecured notes to the sellers of Boundless Nutrition in connection with its acquisition. The notes bear interest at a rate per annum of 0.67% with principal and interest due at varying maturity dates between April 29, 2018 and December 31, 2018. The Company paid off $1.0 million of the outstanding notes payable balance on April 29, 2017. The Company recorded an acquisition-date fair value discount of approximately $0.2 million based on market rates for debt instruments with similar terms (Level 3), which is amortized to interest expense over the term of the notes using the effective-interest method.

In April 2015, the Company issued $3.9 million in unsecured notes to the sellers of Paqui in connection with its acquisition. The notes bear interest at a rate per annum of 1.5% with principal and interest due at maturity on March 31, 2018. The Company recorded an acquisition-date fair value discount of approximately $0.2 million based on market rates for debt instruments with similar terms (Level 3), which is amortized to interest expense over the term of the notes using the effective-interest method.

Contractual Obligations and Other Commitments

Except as discussed in Notes 8 and 9 in the accompanying Notes to Condensed Consolidated Financial Statements contained in Item 1, there were no material changes in our commitments under contractual obligations, as disclosed in our audited consolidated financial statements for the year ended December 31, 2016.

Off Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

We prepare our condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States ("GAAP"). In the preparation of these condensed consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting policies and estimates. The application of each of these critical accounting policies and estimates was discussed in "Critical Accounting Policies and Estimates" included in our 2016 Annual Report on Form 10-K. There have been no material changes to our critical accounting policies and estimates from those discussed in our 2016 Annual Report on Form 10-K.

Non-GAAP Financial Measures

We include Adjusted EBITDA, which we refer to as a non-GAAP measure, in this report because it is an important measure upon which our management assesses our operating performance. We use Adjusted EBITDA as a key performance measure because we believe it facilitates operating performance comparisons from period-to-period by excluding potential differences primarily caused by variations in capital structures, tax positions, the impact of depreciation and amortization expense on our fixed assets and intangible assets and the impact of equity-based compensation expense. In addition, our Credit Agreement contains financial maintenance covenants, including a total funded debt ratio and a minimum fixed charged ratio, that use Adjusted EBITDA as one of their inputs. Because this non-GAAP measure facilitates internal comparisons of our historical operating performance on a more consistent basis, we also use it for business planning purposes, to incentivize and compensate our management personnel, and in evaluating acquisition opportunities. In addition, we believe this non-GAAP measure and similar measures are widely used by investors, securities analysts, ratings agencies and other parties in evaluating companies in our industry as a measure of financial performance and debt-service capabilities.

Our use of this non-GAAP measure has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA measure does not reflect our cash expenditures for capital equipment or other contractual commitments;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect capital expenditure requirements for such replacements;
- Adjusted EBITDA measures may not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our indebtedness; and

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- Other companies, including companies in our industry, may calculate Adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

In evaluating this non-GAAP measure, you should be aware that in the future we will incur expenses similar to the adjustments in this presentation. Our presentation of any non-GAAP measure should not be construed as an inference that our future results will be unaffected by these expenses or any other expenses, whether or not they are unusual or non-recurring items. When evaluating our performance, you should consider this non-GAAP measure alongside other financial performance measures, including our net income and other GAAP results.

Adjusted EBITDA

Adjusted EBITDA is a financial performance measure that is not calculated in accordance with GAAP. We define Adjusted EBITDA as net income adjusted to exclude, interest expense, income tax expense, depreciation, amortization of intangible assets, equity-based compensation expenses and other non-operational items. Below, we have provided a reconciliation of Adjusted EBITDA to our net income, the most directly comparable financial measure calculated and presented in accordance with GAAP. Adjusted EBITDA should not be considered as an alternative to net income or any other measure of financial performance calculated and presented in accordance with GAAP. Our Adjusted EBITDA may not be comparable to similarly titled measures of other organizations because other organizations may not calculate Adjusted EBITDA in the same manner as we calculate the measure.

The following tables present a reconciliation of Adjusted EBITDA to net income, the most directly comparable GAAP measure, for each of the periods indicated (amounts in thousands):

	13 Weeks Ended September 30, 2017	Three Months Ended September 30, 2016	39 Weeks Ended September 30, 2017	Nine Months Ended September 30, 2016
Net income	$ 674	$ 1,645	$ 2,388	$ 18,815
Non-GAAP adjustments:				
Interest expense	11,329	5,636	33,307	11,788
Income tax expense	2,872	3,807	10,906	16,086
Depreciation expense	1,804	539	5,389	814
Amortization of intangible assets	1,827	1,279	5,426	3,433
Equity-based compensation expense	1,152	1,803	2,553	3,972
Loss on exit activity (1)	—	—	190	—
Loss on extinguishment of debt	—	1,100	—	1,100
Loss (gain) on change in fair value of contingent consideration	431	(505)	549	(505)
Foreign currency losses (gains) (2)	224	(4,221)	(859)	(4,221)
Transaction-related expenses:				
Secondary offering-related expenses (3)	—	—	—	615
Acquisition-related expenses (4)	425	9,024	3,003	9,498
Executive recruitment (5)	121	—	700	—
Adjusted EBITDA	**$ 20,859**	**$ 20,107**	**$ 63,552**	**$ 61,395**

(1) In connection with our acquisition of Boundless Nutrition in April 2016, we assumed a lease for a manufacturing facility located in Austin, Texas. In January 2017, we abandoned this facility and entered into a sublease with a third-party for the remainder of the lease term. As a result of this arrangement, we recorded a loss on exit activity of approximately $0.2 million for the 39 weeks ended September 30, 2017.

(2) Foreign currency gains for the three and nine months ended September 30, 2016, include a realized gain of approximately $3.6 million associated with the settlement of a forward currency exchange contract in September 2016, which was entered into in connection with our acquisition of Tyrrells Group. The remaining foreign currency losses (gains) for all periods presented primarily relate to the remeasurement of intercompany loans.

(3) Includes legal, accounting, printing and filing fees paid in connection with our secondary public offering, which closed in May 2016.

(4) Includes severance and integration costs, along with legal, accounting and consulting fees incurred in connection with corporate M&A-related activities.

(5) Represents fees paid to help conduct our search for executive leadership and board of director personnel.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to certain market risks in the ordinary course of our business. These risks primarily include market sensitivities as follows:

Ingredient Risk

We purchase ingredients, including popcorn kernels, potatoes, root vegetables, whey protein, white corn, sunflower oil, canola oil, seasoning and packaging materials used in the contract manufacturing of our products. These ingredients are subject to price fluctuations that may create price risk. We do not attempt to hedge against fluctuations in the prices of the ingredients by using future, forward, option or other derivative instruments. Market risk is estimated as a hypothetical 10% increase or decrease in the weighted-average cost of our primary ingredients for the 39 weeks ended September 30, 2017. A hypothetical 10% increase or decrease would result in a fluctuation of $8.8 million. We seek to mitigate the impact of ingredient cost increases through forward-pricing contracts and taking physical delivery of future ingredient needs. We strive to offset the impact of ingredient cost increases with a combination of cost savings initiatives and efficiencies and price increases to our customers.

Interest Rate Risk

As discussed more fully in Note 8 in the accompanying Notes to Condensed Consolidated Financial Statements contained in Item 1, our Credit Facility is comprised of Term Loans and Revolving Loans which bear interest at a variable rate. We currently do not engage in any interest rate hedging activity but are assessing our options to effectively manage this risk in the future. As a result, a change in interest rates will impact interest expense and cash flows. Holding other variables constant (such as debt levels) a one percentage point variance (100 basis points) would increase the annual interest expense under our Credit facility by approximately $6.0 million.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. We have not been exposed nor do we anticipate being exposed to material risks due to a change in interest rates.

Foreign Exchange Risk

As a result of our acquisition of Tyrrells Group on September 2, 2016, we are now exposed to foreign currency exchange risk related to our international operations, including non-functional currency intercompany debt and net investments in subsidiaries. For the 39 weeks ended September 30, 2017, approximately 34% of our total net sales were generated outside the U.S. The foreign currencies that our international subsidiaries conduct business in are the British Pound Sterling, the Euro, the Australian dollar and the Canadian dollar. We are also exposed to foreign exchange risk as a result of transactions in currencies other than the functional currency of certain subsidiaries. We do not currently utilize foreign currency derivative contracts to manage foreign exchange risk but are assessing our options to effectively manage this risk in the future.

The market risk related to foreign currency exchange rates is measured by estimating the potential impact of a change in the value of the U.S. dollar relative to the local currency exchange rates. The rates used to perform this analysis were based on a weighted-average of the market rates in effect during the relevant period. A 10% appreciation or depreciation of the U.S. dollar relative to the British Pound Sterling, would result in a change to net income of approximately $0.2 million for the 39 weeks ended September 30, 2017. A 10% appreciation or depreciation of the U.S. dollar relative to the Euro, Australian or Canadian dollar would not have a significant impact on our results of operation.

We are exposed to foreign exchange rate fluctuations as we translate or remeasure the financial statements of our foreign subsidiaries into U.S. dollars in consolidation. If there is a change in foreign currency exchange rates, the conversion of foreign subsidiaries financial statements into U.S. dollars will lead to translation gains or losses which are recorded as a component of accumulated other comprehensive income (loss). If there is a change in foreign currency exchange rates and the foreign subsidiaries account balances are not denominated in its functional currency, the remeasurement of the foreign subsidiaries financial statements into its functional currency will result in gains or losses in the consolidated statements of comprehensive income.

Inflation

Inflationary factors, such as increases in the cost of goods sold and selling, general and administrative expenses, may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross profit margin and selling, general and administrative expenses as a percentage of net sales if the selling prices of our products do not increase to cover these increased costs. No material changes have occurred in relation to inflation risk as described in our 2016 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As a public company, we will be required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which will require annual management assessments of the effectiveness of our internal control over financial reporting. Additionally, as of the later of the filing of such Annual Report and the date we are no longer an “emerging growth company” we will require a report by our independent registered public accounting firm that addresses the effectiveness of our internal control over financial reporting. During the course of our testing, we may identify deficiencies that we may not be able to remediate in time to meet our deadline for compliance with Section 404.

We have established disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that information relating to the Company is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2017, the end of the period covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2017.

Changes in Internal Control Over Financial Reporting

We acquired Tyrrells Group on September 2, 2016 and have begun the process of integrating its operations into our overall system of internal control over financial reporting.

There were no other changes in our internal control over financial reporting during the 13 weeks ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material changes from the legal proceedings previously disclosed in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 1A. Risk Factors.

In addition to other information set forth in this Form 10-Q, careful consideration should be given to the Risk Factors (Part I, Item 1A) and Management's Discussion and Analysis of Financial Condition and Results of Operations (Part II, Item 7) in our Annual Report on Form 10-K, which could materially affect the Company's business, financial condition, and/or future results.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed in the accompanying Exhibit Index are filed or incorporated by reference as part of this Quarterly Report.

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.	Filed herewith			
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.	Filed herewith			
32.1*	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act.	Furnished herewith			
32.2*	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act.	Furnished herewith			
101.INS	XBRL Instance Document				
101.SCH	XBRL Taxonomy Extension Schema Document				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				

* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the Registrant specifically incorporates it by reference.

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.

Amplify Snack Brands, Inc.

Date: November 8, 2017

/s/ Greg Christenson

Greg Christenson
Chief Financial Officer
(Principal Financial and Accounting Officer)