



Hostess[®] BRANDS

Deutsche Bank Conference

June 8, 2023

Learn more about our long-term growth
story outlined during our CAGNY
presentation using this QR Code





Disclaimer

Forward Looking Statements

This investor presentation contains statements reflecting our views about the future performance of Hostess Brands, Inc. and its subsidiaries (referred to as “Hostess Brands” or the “Company”) that constitute “forward-looking statements” that involve substantial risks and uncertainties. Forward-looking statements are generally identified through the inclusion of words such as “believes,” “expects,” “intends,” “estimates,” “projects,” “anticipates,” “will,” “plan,” “may,” “should,” or similar language. Statements addressing our future operating performance and statements addressing events and developments that we expect or anticipate will occur are also considered forward-looking statements. All forward looking statements included herein are made only as of the date hereof. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

These statements inherently involve risks and uncertainties that could cause actual results to differ materially from those anticipated in such forward-looking statements. These risks and uncertainties include, but are not limited to, maintaining, extending and expanding the Company’s reputation and brand image; leveraging the Company’s brand value to compete against lower-priced alternative brands; the ability to pass cost increases on to our customers; correctly predicting, identifying and interpreting changes in consumer preferences and demand and offering new products to meet those changes; protecting intellectual property rights; operating in a highly competitive industry; the ability to maintain or add additional shelf or retail space for the Company’s products; the ability to identify or complete strategic acquisitions, alliances, divestitures or joint ventures; our ability to successfully integrate, achieve expected synergies and manage our acquired businesses and brands; the ability to integrate and manage capital investments; the ability to manage changes in our manufacturing processes resulting from the expansion of our business and operations, including with respect to cost-savings initiatives and the introduction of new technologies and products; the ability to drive revenue growth in key products or add products that are faster-growing and more profitable; volatility in commodity, energy, and other input prices due to inflationary pressures and the ability to adjust pricing to cover increased costs; loss of one or more of our co-manufacturing arrangements; significant changes in the availability and pricing of transportation; negative impacts of climate change; dependence on major customers; increased labor and employee related costs; strikes or work stoppages; product liability claims, product recalls, or regulatory enforcement actions; the ability to produce and successfully market products with extended shelf life; dependence on third parties for significant services; unanticipated business disruptions; adverse impact or disruption to our business caused by pandemics or outbreaks of highly infectious or contagious diseases; disruptions in global economy due to the Russia and Ukraine conflict; geographic focus could make the Company particularly vulnerable to economic and other events and trends in North America; consolidation of retail customers; unsuccessful implementation of business strategies to reduce costs; increased costs to comply with governmental regulation; failures, unavailability, or disruptions of the Company’s information technology systems; dependence on key personnel or a highly skilled and diverse workforce; the Company’s ability to finance indebtedness on terms favorable to the Company; and other risks as set forth from time to time in the Company’s Securities and Exchange Commission filings.

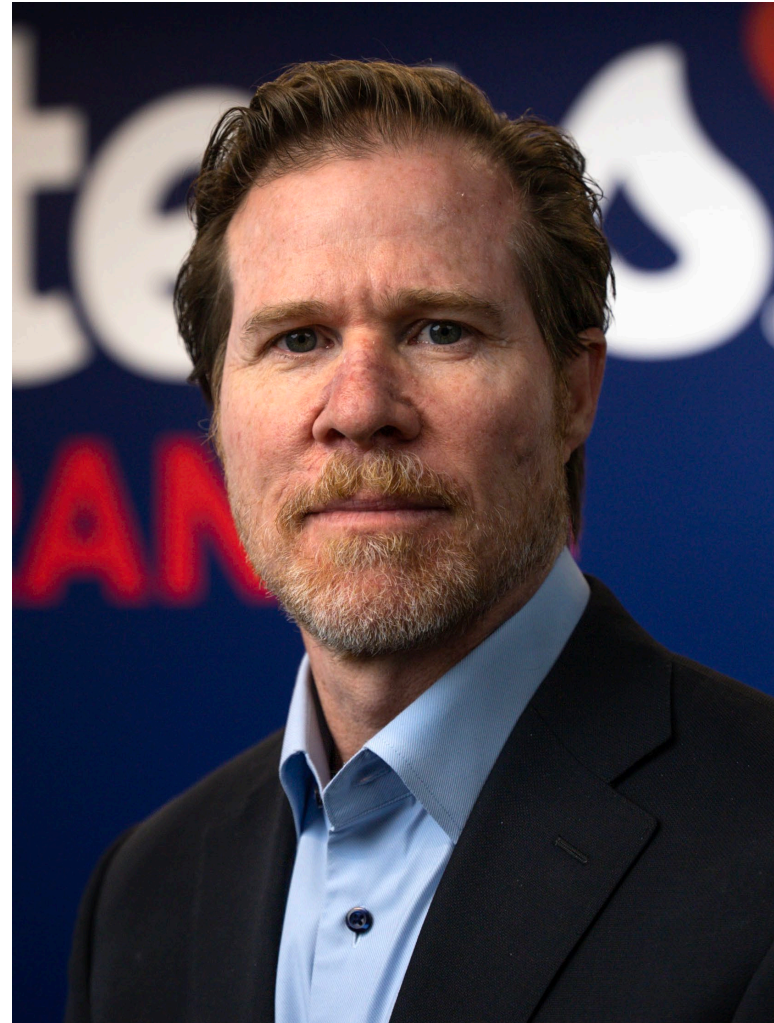
The long-term algorithms contained in this presentation are goals that are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and are based on assumptions with respect to future actions which are subject to change.

Industry and Market Data

In this Investor Presentation, Hostess Brands relies on and refers to information and statistics regarding market shares in the sectors in which it competes and other industry data. Hostess Brands obtained this information and statistics from third-party sources, including reports by market research firms, such as Nielsen. Prior period Nielsen data was adjusted to exclude the Cloverhill® and Big Texas® brands in the periods they were not owned by Hostess. Hostess Brands has supplemented this information where necessary with information from discussions with Hostess customers and its own internal estimates, taking into account publicly available information about other industry participants and Hostess Brands’ management’s best view as to information that is not publicly available.

Use of Non-GAAP Financial Measures

Adjusted gross profit, adjusted gross margin, adjusted operating income, adjusted net income, adjusted net income margin, adjusted diluted shares and adjusted EPS collectively referred to as “Non-GAAP Financial Measures,” are commonly used in the Company’s industry and should not be construed as an alternative to net revenue, gross profit, operating income, net income, net income attributed to Class A stockholders, diluted shares outstanding or earnings per share as indicators of operating performance (as determined in accordance with GAAP). These Non-GAAP financial measures exclude certain items included in the comparable GAAP financial measure. This Investor Presentation also includes non-GAAP financial measures, including earnings before interest, taxes, depreciation, amortization and other adjustments to eliminate the impact of certain items that we do not consider indicative of our ongoing performance (“Adjusted EBITDA”) and Adjusted EBITDA Margin. Adjusted EBITDA Margin represents Adjusted EBITDA divided by adjusted net revenues. Hostess Brands believes that these Non-GAAP Financial Measures provide useful information to management and investors regarding certain financial and business trends relating to Hostess Brands’ financial condition and results of operations. Hostess Brands’ management uses these Non-GAAP Financial Measures to compare Hostess Brands’ performance to that of prior periods for trend analysis, for purposes of determining management incentive compensation, and for budgeting and planning purposes. Hostess Brands believes that the use of these Non-GAAP Financial Measures provides an additional tool for investors to use in evaluating ongoing operating results and trends. Management of Hostess Brands does not consider these Non-GAAP Financial Measures in isolation or as an alternative to financial measures determined in accordance with GAAP. Other companies may calculate non-GAAP measures differently, and therefore Hostess Brands’ Non-GAAP Measures may not be directly comparable to similarly titled measures of other companies. The Company does not provide a reconciliation of the forward-looking information to the most directly comparable GAAP measures because of the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliations. Totals in this Investor Presentation may not add up due to rounding.



**Andy
Callahan**

President & CEO



**Travis
Leonard**

Chief Financial Officer

Building a Premier Snacking Company



- Pure-play snacking company
- 3,000 Employees
- North America focus

\$1.4 Billion of Annual Net Revenue
Growing at **14% CAGR** over last 3
years

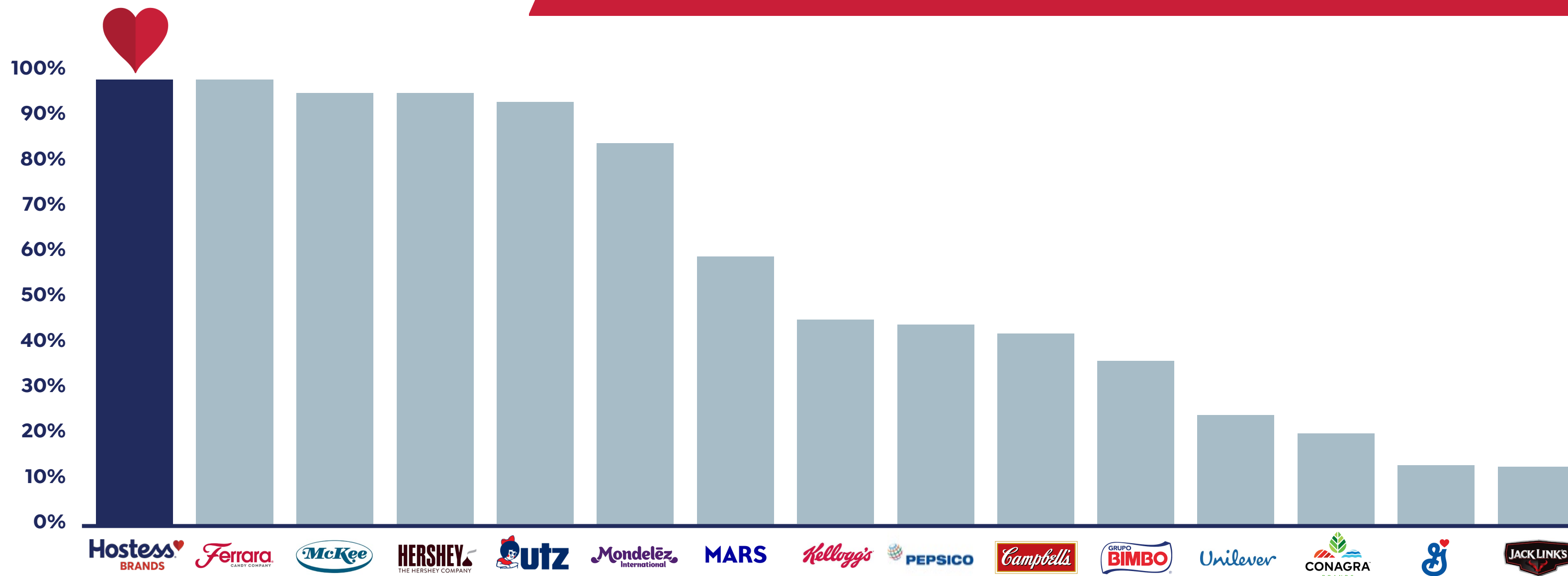


Inspiring Moments of Joy by Putting Our  into Everything We Do

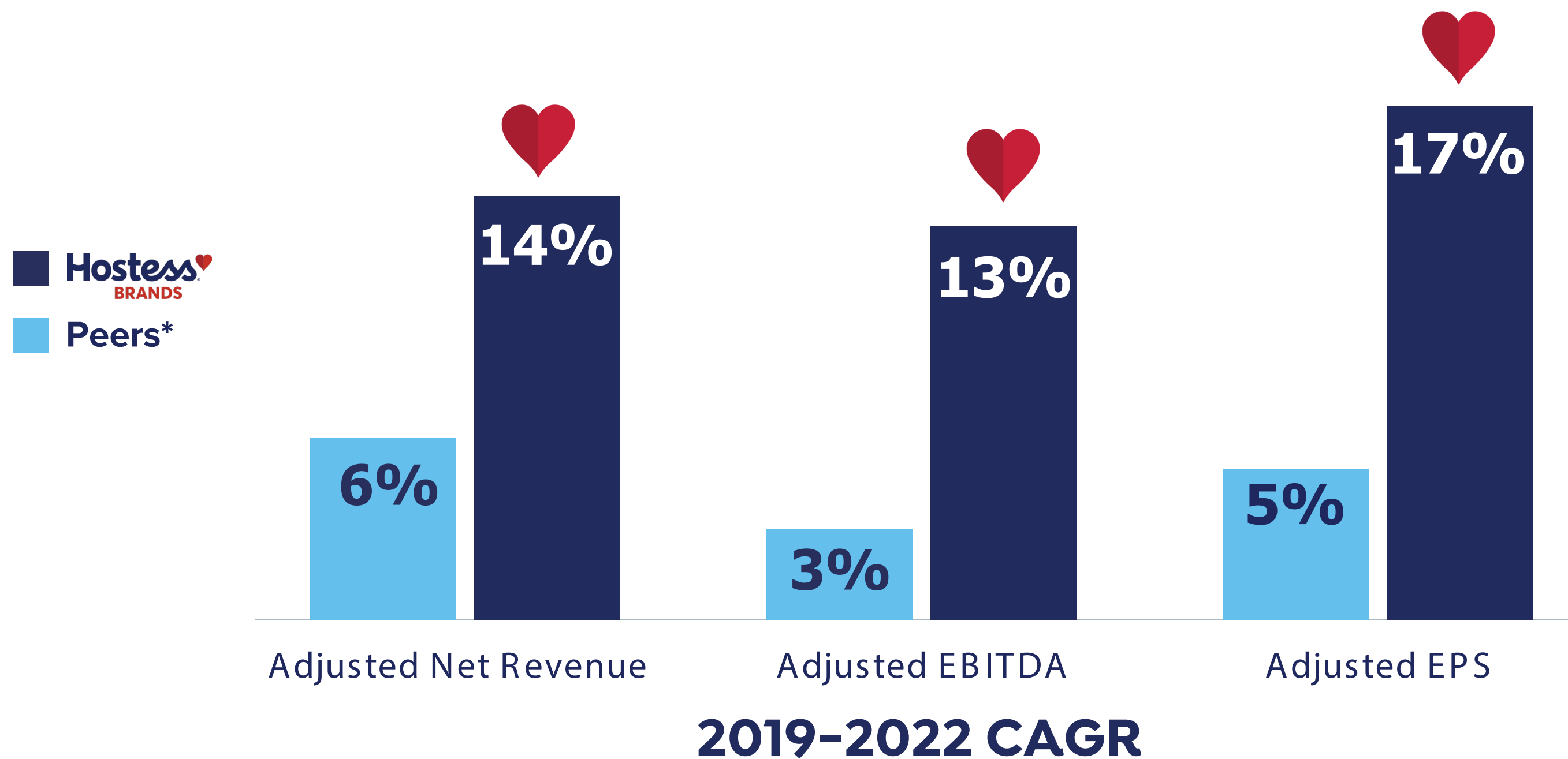
Leading Snacking Pure-Play

Hostess
BRANDS

Snacking ~100% of Total Retail Sales



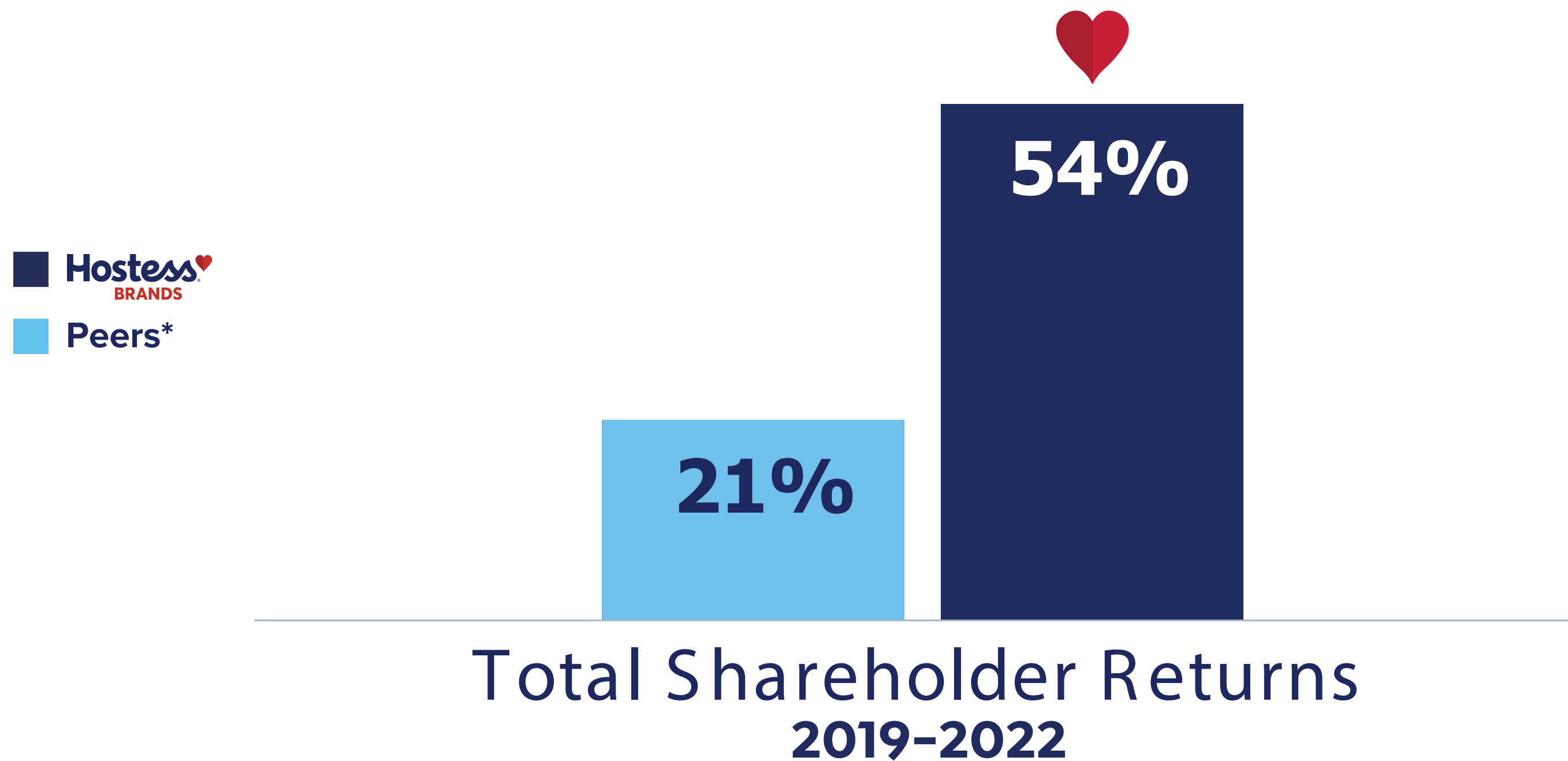
Delivering Consistent Top-Tier Growth



* Weighted average of peer group including BGS, BRBR, CAG, CPB, FLO, GIS, HAIN, HRL, HSY, JJSF, K, KHC, LANC, LW, MDLZ, MKC, NOMD, PEP, POST, SJM, SMPL, THS per Factset

Adjusted Net Revenue, Adjusted EBITDA and Adjusted EPS are non-GAAP financial measure. See “Use of Non-GAAP Financial Measures” and the Appendix for an explanation of all non-GAAP financial measures and reconciliations to the comparable GAAP measures.

...And Shareholder Returns



* Weighted average of peer group including BGS, CAG, CPB, FLO, FRPT, GIS, HAIN, HRL, HSY, JBSS, JJFS, K, KHC, LANC, LW, MDLZ, MKC, NOMD, PEP, POST, SJM, SMPL, STKL, THS per Factset

Fully Aligned with Attractive Snacking Occasions

\$65B Market Opportunity



**Morning
Sweet Start**

Market Size
\$6.7B



Lunchbox

Market Size
\$7.2B



**Afternoon
Reward**

Market Size
\$15.1B



**Immediate
Consumption**

Market Size
\$9.8B



**Afternoon
Sharing**

Market Size
\$26.1B

Strategic Growth Pillars

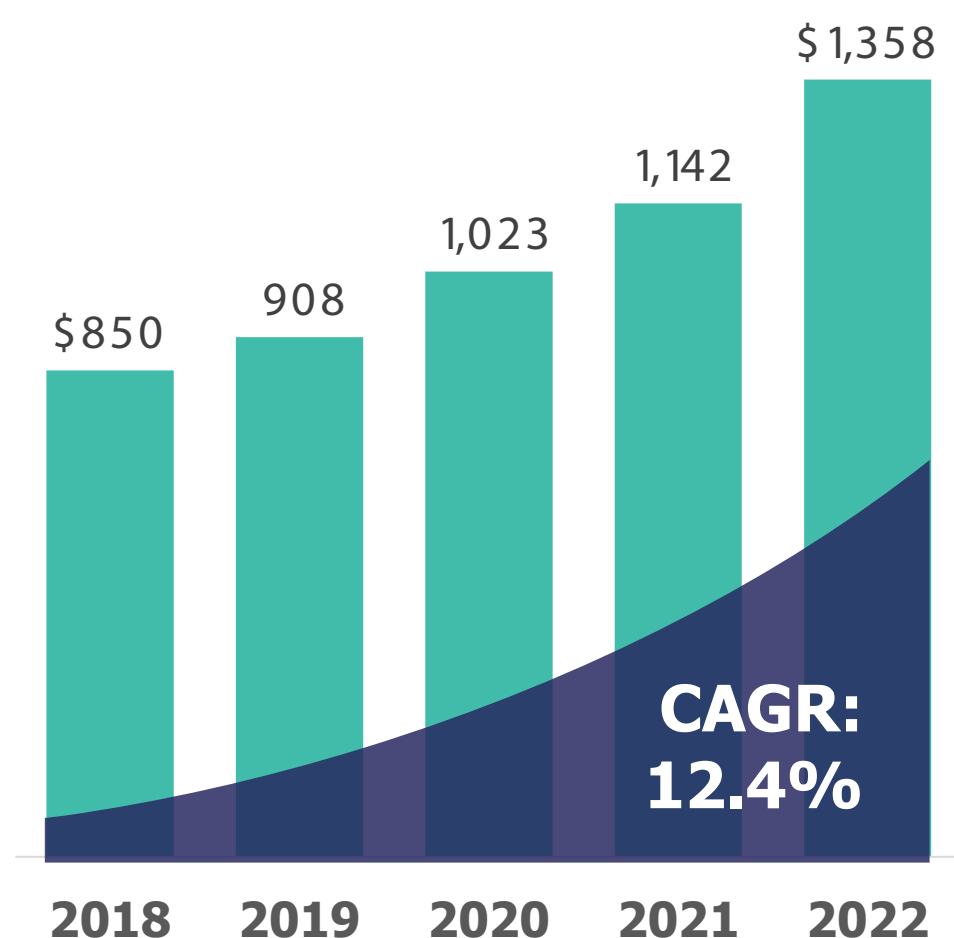
- 1 Our business sits in growing spaces**
- 2 Differentiated capabilities in baking and distribution unlock growth potential**
- 3 Multiple levers to drive growth**



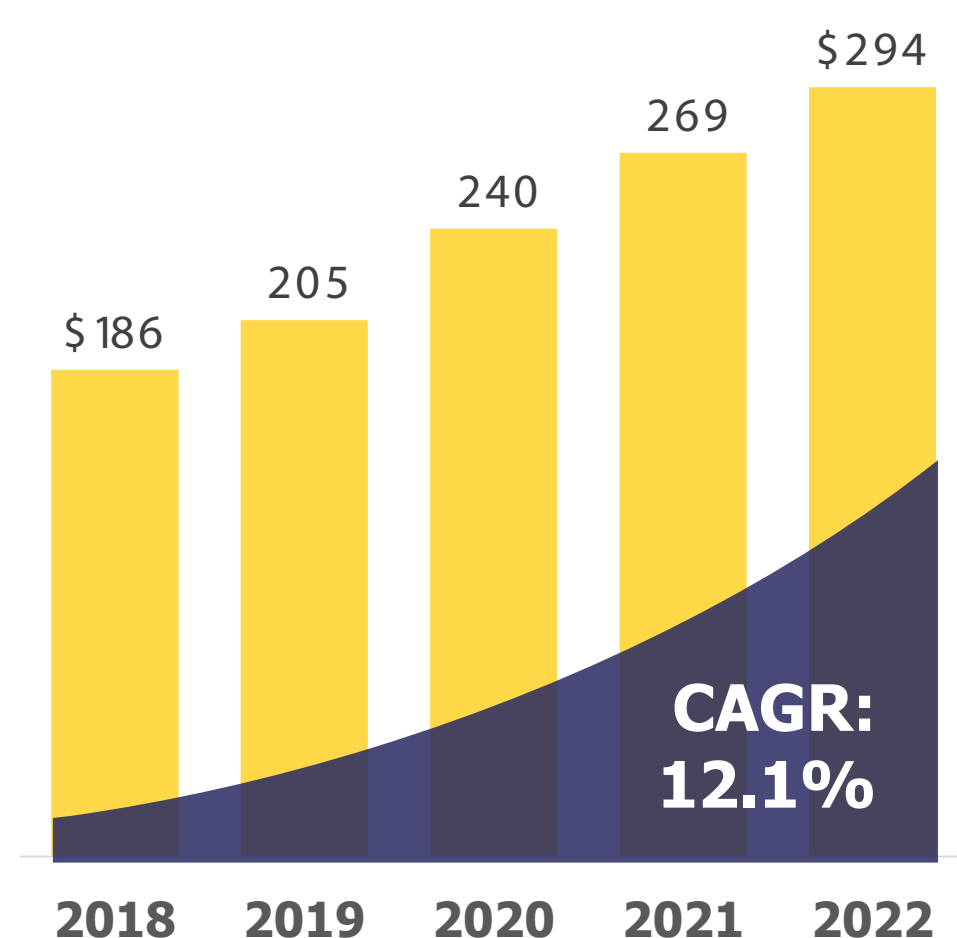
Track-Record of Sustained, Profitable Growth

Strong Foundation Built on Top-tier Performance over Last Five Years

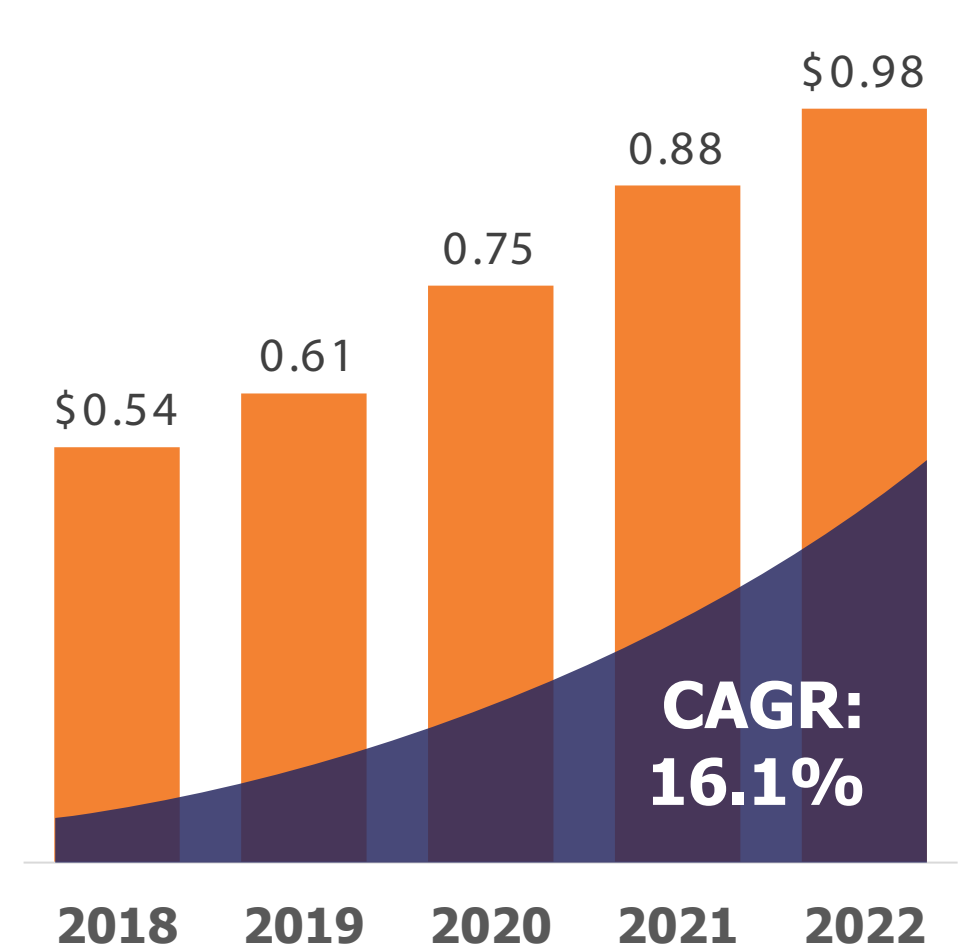
Adjusted Net Revenue



Adjusted EBITDA



Adjusted EPS



Adjusted Net Revenue, Adjusted EBITDA and Adjusted EPS are non-GAAP financial measure. See “Use of Non-GAAP Financial Measures” and the Appendix for an explanation of all non-GAAP financial measures and reconciliations to the comparable GAAP measures.

Disciplined ROI Focused Capital Allocation

Strong Cashflows Support Allocation for Organic and Inorganic Growth

1

Support Core Growth

Disciplined investments with high ROI hurdle

2

Targeted M&A

Growth-oriented branded targets, that expand our capabilities in snacking universe

3

Return Capital to Shareholders

Repurchased \$130 million of shares in 2022

4

Manage Net Leverage

Reduced Net Debt to EBITDA leverage to below 3x in 2022

* Net Leverage ratio is net debt (total long-term debt less lease obligations, unamortized debt premiums and cash and cash equivalents) divided by Adjusted EBITDA for the trailing twelve-month period. Adjusted EBITDA is a non-GAAP financial measure. See “Use of Non-GAAP Financial Measures” and the Appendix for an explanation of all non-GAAP financial measures.



Reaffirm 2023 Outlook

Delivering Above Algorithm Profit

(\$ in millions, except EPS)

2023 Guidance

Net Revenue Growth

4% – 6%

Adjusted EBITDA

\$315 – \$325 million
(7% – 10% growth)

Adjusted EPS

\$1.08 – \$1.13
(10% – 15% growth)

Capital Expenditures

\$150 – \$170 million
(Including Capacity Expansion)

Income Tax Rate

~27%

Weighted Average Shares Outstanding

~135 million

Adjusted EBITDA and Adjusted EPS are non-GAAP financial measures. See “Use of Non-GAAP Financial Measures” and the Appendix for an explanation of all non-GAAP financial measures. The Company does not provide a reconciliation of forward-looking financial expectations to the most directly comparable GAAP financial measure because of the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation; including adjustments that could be made for deferred taxes; remeasurement of the tax receivable agreement, transformation expenses and other non-operating gains or losses reflected in the Company's reconciliation of historic non-GAAP financial measures, the amount of which could be material. Please refer to the Reconciliation of Non-GAAP Financial Measures included in the Appendix for further information about the use of these measures.



Attractive Long-Term Growth

Delivering Strong Growth While Maintaining our Industry-leading Margins



Long-term Growth Algorithm

Mid-Single Digit
Organic Revenue
Growth

5-7%
EBITDA Growth

7-9%
EPS Growth

Delivering Top-Tier Shareholder Returns



Inspiring Moments of Joy by Putting Our  into Everything We Do



Appendix 

Non-GAAP Reconciliations

	Twelve Months Ended December 31, 2022						Twelve Months Ended December 31, 2021					
	Gross Profit	Gross Margin	Operating Income	Net Income	Net Income Margin	Diluted EPS	Gross Profit	Gross Margin	Operating Income	Net Income	Net Income Margin	Diluted EPS
GAAP results	\$ 465.7	34.3%	\$ 220.3	\$ 164.2	12.1%	\$ 1.19	\$ 410.0	35.9%	\$ 200.7	\$ 119.3	10.4%	\$ 0.86
Non-GAAP adjustments:												
Foreign currency remeasurement	-	-	-	0.6	-	0.01	-	-	-	(0.5)	-	-
Project consulting costs (1)	-	-	3.9	3.9	0.3	0.03	-	-	6.1	6.1	0.5	0.04
Tax receivable agreement remeasurement	-	-	(0.9)	(0.9)	(0.1)	(0.01)	-	-	(1.4)	(1.4)	(0.1)	(0.01)
Change in fair value of warrant liabilities	-	-	-	-	-	-	-	-	-	(0.6)	-	-
Insurance proceeds (2)	-	-	-	(33.0)	(2.3)	(0.24)	-	-	-	-	-	-
Accelerated depreciation related to network optimization	1.9	0.1	1.9	1.9	0.1	0.02	-	-	-	-	-	-
Other (3)	0.2	-	0.3	0.7	-	-	0.7	0.1	2.1	4.3	0.4	0.03
Remeasurement of tax liabilities	-	-	-	(2.2)	(0.2)	(0.02)	-	-	-	(3.3)	(0.3)	(0.03)
Discrete income tax expense	-	-	-	1.2	0.1	0.01	-	-	-	-	-	-
Tax impact of adjustments	-	-	-	(1.9)	(0.1)	(0.01)	-	-	-	(1.9)	(0.2)	(0.01)
Adjusted Non-GAAP results	\$ 467.7	34.4%	\$ 225.5	134.6	9.9	\$ 0.98	\$ 410.7	36.0%	\$ 207.5	122.0	10.7	\$ 0.88
Income tax				50.0	3.7					45.7	4.0	
Interest expense				41.0	3.0					39.8	3.5	
Depreciation & amortization				58.2	4.3					51.7	4.5	
Share-based compensation				10.5	0.8					9.6	0.8	
Adjusted EBITDA				<u>\$ 294.1</u>	<u>21.7%</u>					<u>\$ 268.8</u>	<u>23.5%</u>	

1. Project consulting costs are included in general and administrative on the condensed consolidated statement of operations.
2. Gain from receipt of insurance proceeds under the representation and warranty insurance policy purchased in connection with the Voortman acquisition in 2020 included in other expense (income) on the condensed consolidated statement of operations.
3. In 2022, costs related to certain corporate initiatives, of which \$0.2 million is included in cost of goods sold, \$0.1 million is included in general and administrative and \$0.4 million is included in other expense (income) on the consolidated statement of operations. In 2021, costs related to certain corporate initiatives, including \$2.8 million of Voortman acquisition related costs. Of the total \$4.3 million, \$0.7 million is included in cost of goods sold, \$1.4 million is included in general and administrative and \$2.2 million is included in other expense (income) on the consolidated statement of operations.



Non-GAAP Reconciliations

	Twelve Months Ended December 31, 2020								Twelve Months Ended December 31, 2019							
	Net Revenue	Gross Profit	Gross Margin	Operating Income	Net Income	Net Income Margin	Class A Net Income	Diluted EPS	Gross Profit	Gross Margin	Operating Income	Net Income	Net Income Margin	Class A Net Income	Diluted Shares	Diluted EPS
GAAP Results	\$ 1,016.6	\$ 355.6	35.0%	\$ 135.3	\$ 108.3	10.7%	\$ 104.7	\$ 0.51	\$ 299.8	33.0%	\$ 136.1	\$ 18.7	2.1%	\$ 4.3	111,006	\$ 0.04
Non-GAAP adjustments:																
Foreign currency impacts	-	-	-	-	2.1	0.2	2.0	0.02	-	-	(7.1)	(7.1)	(0.8)	(6.7)	-	(0.07)
Acquisition, disposal and integration related costs (1)	6.8	8.0	0.5	29.2	29.2	2.7	27.6	0.22	1.6	0.2	5.5	5.5	0.6	5.2	-	0.05
Special employee incentive compensation (2)	-	-	-	-	-	-	-	-	-	-	1.9	1.9	0.2	1.8	-	0.02
Facility transition costs (3)	-	3.7	0.4	5.7	5.7	0.6	5.4	0.04	9.4	1.0	12.1	12.1	1.3	11.4	-	0.10
Tax receivable agreement remeasurement	-	-	-	0.8	0.8	0.1	0.8	-	-	-	0.2	0.2	-	0.2	-	-
Impairment of property and equipment	-	-	-	3.0	3.0	0.3	2.9	0.02	-	-	2.0	2.0	0.2	1.9	-	0.02
COVID-19 costs (4)	-	2.1	0.2	2.4	2.4	0.2	2.3	0.0	-	-	-	-	-	-	-	-
Change in fair value of warrant liabilities	-	-	-	-	(39.9)	(3.9)	(39.9)	-	-	-	-	58.8	6.6	58.8	3,694	0.51
Remeasurement of tax liabilities	-	-	-	-	(0.5)	(0.1)	(0.5)	-	-	-	-	(4.6)	(0.5)	(4.6)	-	(0.05)
Loss on debt refinancing	-	-	-	-	-	-	-	-	-	-	1.5	2.0	0.2	1.9	-	0.02
Other	-	-	-	0.1	1.8	0.2	1.7	0.01	-	-	-	1.2	0.1	1.2	-	0.01
Tax impact of adjustments	-	-	-	-	(11.0)	(1.1)	(11.0)	(0.09)	-	-	-	(3.9)	(0.4)	(3.9)	-	(0.04)
Adjusted Non-GAAP results	\$ 1,023.4	\$ 369.4	36.1%	\$ 176.4	\$ 101.8	9.9%	\$ 95.9	\$ 0.75	\$ 310.8	34.2%	\$ 152.1	\$ 86.8	9.6%	\$ 71.4	114,700	\$ 0.61
Income tax					31.8	3.1						25.4	2.8			
Interest expense					42.8	4.2						39.9	4.4			
Depreciation & amortization					54.9	5.4						43.3	4.8			
Share-based compensation					8.7	0.9						9.2	1.0			
Adjusted EBITDA					\$ 240.1	23.5%						\$ 204.7	22.6%			

1. In 2020, Adjustments to net revenue represent initial slotting fees paid to customers to obtain space in customer warehouses for the Voortman transition. Adjustments to operating costs included \$8.0 million in selling, \$8.9 million in general and administrative and \$4.3 million of business combination transaction costs on the consolidated statement of operations. In 2019, adjustments to operating costs included \$5.5 million in general and administrative on the consolidated statement of operations.
2. Special employee incentive compensation is included in general and administrative on the consolidated statement of operations.
3. Facility transition costs are included in general and administrative on the consolidated statement of operations.
4. COVID-19 operating costs are included in general and administrative on the consolidated statement of operations. Total COVID-19 non-GAAP adjustments primarily consist of costs of incremental cleaning and sanitation, personal protective equipment and employee bonuses in the first half of 2020.

Non-GAAP Reconciliations

Twelve Months Ended December 31, 2018

	Gross Profit	Gross Margin	Operating Income	Net Income	Net Income Margin	Class A Net Income	Diluted EPS
GAAP results	\$ 267.3	31.4%	\$ 121.6	\$ 160.6	18.9%	\$ 142.1	\$ 0.61
Non-GAAP adjustments:							
Acquisition, disposal and integration related costs	10.1	1.2	10.4	10.4	1.2	8.9	0.08
Tax receivable agreement remeasurement	-	-	(1.8)	(14.2)	(1.7)	(14.2)	(0.14)
Impairment of property and equipment	-	-	5.0	5.0	0.6	4.2	0.04
Special employee incentive compensation	2.0	0.2	3.4	3.4	0.4	2.9	0.02
Change in fair value of warrant liabilities	-	-	-	(79.2)	(9.3)	(79.2)	-
Other	-	-	0.6	0.8	0.1	0.6	-
Remeasurement of tax liabilities	-	-	-	(5.4)	(0.6)	(5.4)	(0.05)
Tax impact of adjustments	-	-	-	(2.0)	(0.2)	(2.0)	(0.02)
Adjusted Non-GAAP results	\$ 279.4	32.8%	\$ 139.2	\$ 79.4	9.4%	\$ 57.9	\$ 0.54
Income tax				20.4	2.4		
Interest expense				39.4	4.6		
Depreciation & amortization				41.4	4.9		
Share-based compensation				5.6	0.6		
Adjusted EBITDA				\$ 186.2	21.9%		