



First Quarter 2019 Earnings

Investor Presentation

May 8, 2019

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 as 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; our ability to maintain, extend or expand our reputation and brand image; failing to protect our intellectual property rights; our ability to leverage our brand value to compete against lower-priced alternative brands; our ability to correctly predict, identify and interpret changes in consumer preferences and demand and offering new products to meet those changes; our ability to operate in a highly competitive industry; our ability to maintain or add additional shelf or retail space for our products; our ability to continue to produce and successfully market products with extended shelf life; our ability to successfully integrate, achieve expected synergies and manage our acquired businesses and brands; our ability to drive revenue growth in our key products or add products that are faster-growing and more profitable; volatility in commodity, energy, and other input prices and our ability to adjust our pricing to cover any increased costs; the availability and pricing of transportation to distribute our products; our dependence on our major customers; our geographic focus could make us particularly vulnerable to economic and other events and trends in North America; consolidation of retail customers; increased costs to comply with governmental regulation; general political, social and economic conditions; increased healthcare and labor costs; the fact that a portion of our workforce belongs to unions and strikes or work stoppages could cause our business to suffer; product liability claims, product recalls, or regulatory enforcement actions; unanticipated business disruptions; dependence on third parties for significant services; ability to achieve expected synergies and benefits and performance from strategic acquisitions; inability to identify or complete strategic acquisitions; our insurance not providing adequate levels of coverage against claims; failures, unavailability, or disruptions of our information technology systems; departure of key personnel or a highly skilled and diverse workforce; and our ability to finance our indebtedness on terms favorable to us; and other risks as set forth under the caption “Risk Factors” from time to time in our Securities and Exchange Commission filings.

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. Current and prior period market data presented herein reflects a restatement of Convenience Channel data executed by Nielsen during 2018. Additionally, 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

This Investor Presentation 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”), Adjusted EBITDA Margin, Adjusted Gross Profit, Adjusted Gross Margin, Adjusted Net Income and Adjusted Earnings per Share (“Adjusted EPS”). Adjusted EBITDA, Adjusted Gross Profit, Adjusted Net Income and Adjusted EPS exclude certain items included in the comparable GAAP financial measure. Adjusted EBITDA Margin represents Adjusted EBITDA divided by net revenues. Adjusted Gross Margin represents Adjusted Gross Profit divided by 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 Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Gross Profit, Adjusted Gross Margin, Adjusted Net Income, Adjusted EPS, and other non-GAAP measures differently, and therefore Hostess Brands’ non-GAAP measures may not be directly comparable to similarly titled measures of other companies. Totals in this Investor Presentation may not add up due to rounding.



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Hostess Brands

Celebrating 100 Years of Delighting Consumers

Key Highlights



LTM Net Sales:
\$864 million

LTM Adj. EBITDA:
\$189 million

LTM Operating
Cash Flow:
\$134 million

Iconic Brands

18%
Market Share

Continuous
Innovation to
Drive Growth

Efficient
Manufacturing
and Distribution
Model

Proven
Scalable
Platform

Financial data are for the last twelve months ("LTM") ended March 31, 2019 as reported. 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 and reconciliations to the comparable GAAP measures. Market Share for the Company within the Sweet Baked Goods ("SBG") category per Nielsen U.S. total universe, 52 weeks ending March 23, 2019.



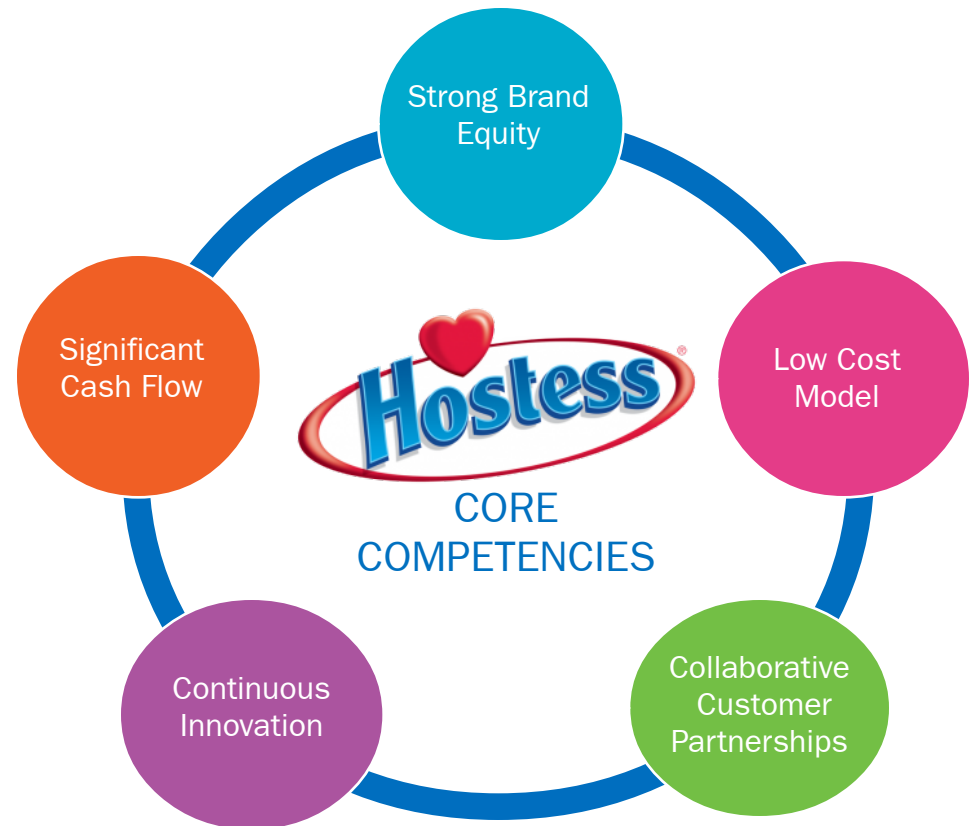
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At Hostess Brands . . .

We delight consumers and build iconic brands supported by our core competencies to drive profitable growth

Our Growth Strategy

- Strengthening our core Hostess brand and expanding into adjacent categories through innovation and strong partnerships with our customers
- Leveraging our highly efficient and profitable business model
- Executing strategic acquisitions to accelerate growth while effectively managing our capital structure

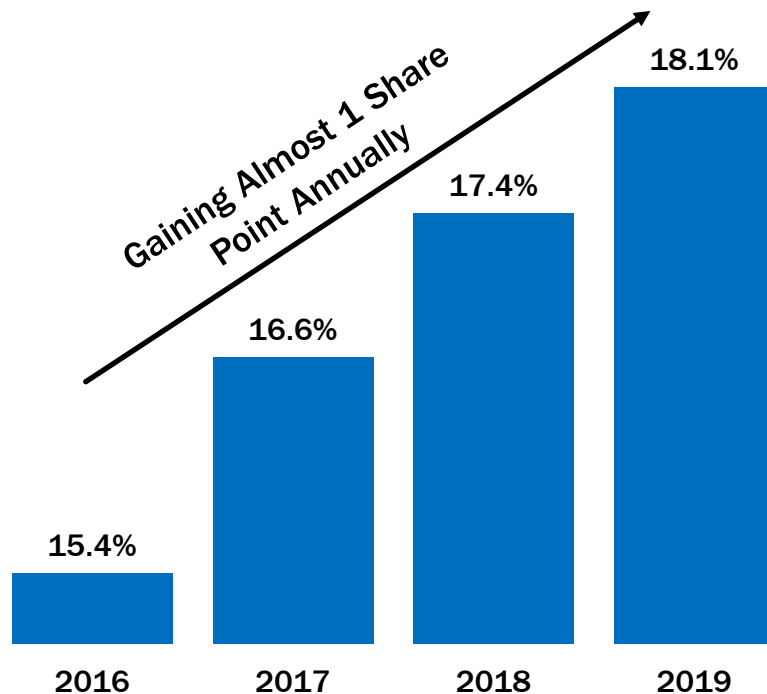


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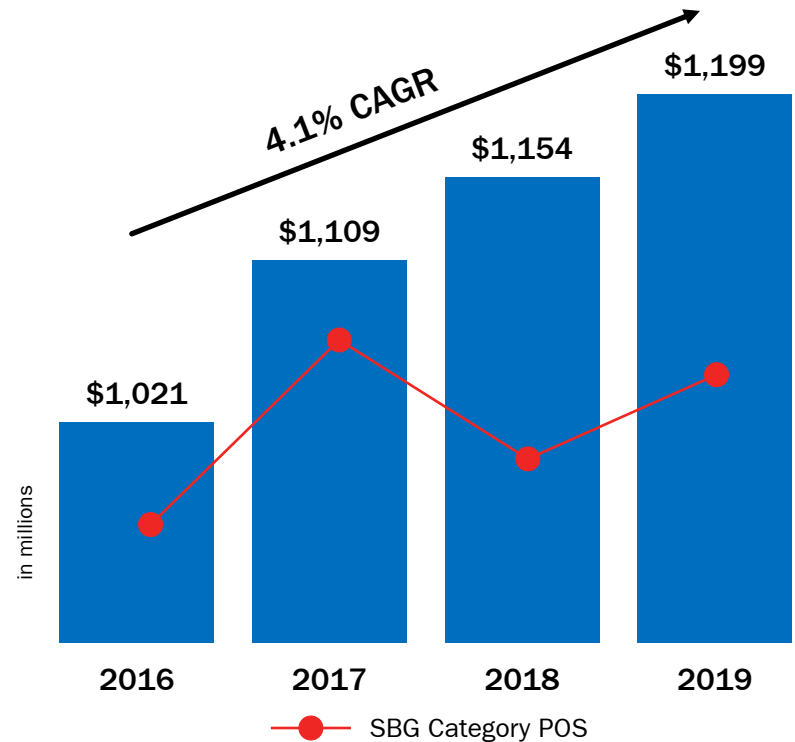
Strong Market Position

Growing in the SBG Category

Market Share



Point-of-Sale



Source: Nielsen, Total Nielsen Universe for the SBG Category and the Company within the SBG Category. Point of Sale and Market Share, 52 weeks ending 3/26/16, 3/25/17, 3/24/2018 & 3/23/19.

Current and prior period market data presented herein reflects a restatement of Convenience Channel data executed by Nielsen during the fourth quarter 2018. Additionally, prior period Nielsen data was adjusted to exclude the Cloverhill® and Big Texas® brands in the periods they were not owned by Hostess.

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Sustainable, Profitable Growth

Through Strengthening Scalable Platforms

- Core Hostess continues to grow with *strong customer partnerships* and *sharpened analytical capabilities*
- *Innovation* focus to fuel growth in the core and complementary indulgent and snacking categories based on *consumer-centric ideas*
- Operating with speed and agility, while investing in *high ROI activities*
- Developing *consumer and customer insights* to enhance growth
- Additions of *top talent* in areas to complement existing team
- Consistent, *strong cash generation* provides strategic options to create shareholder value



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Progress Against 2019 Growth Pillars

Pillars for Growth

Grow the Core Profitably drive core growth by building the consumer brand and building customer relationships

Grow Through Innovation Accelerate growth through innovation based on consumer insights and industry-leading capabilities

Improve Through Agility & Efficiency Operate at lowest practical cost and optimum value to consumers

Cultivate Talent & Capabilities Focused on investing in talent, insights and information to create industry-leading capabilities to support the next phase of growth

Leverage Strong Cash Flow Generated from high cash conversion rates and efficient operating capital needs

First Quarter 2019 Actions

- ✓ Multi-faceted price increase across all channels completed
- ✓ Developing new tools and capabilities to improve analytics
- ✓ Expanding Hostess Partner Program to grocery

- ✓ Launch of Birthday Cupcakes and Totally Nutty
- ✓ Expansion of Breakfast and Value brands
- ✓ Continued development of pipeline of innovative products

- ✓ Cloverhill Business improved profitability since acquisition
- ✓ Developing in-house distribution capabilities in Kansas, expected to generate significant savings and enhanced servicing by Q1 2020
- ✓ Achieved additional core bakery savings

- ✓ Hired Chief Human Resources Officer and Chief Marketing Officer
- ✓ Announced development of new hub for marketing, innovation and category management in Chicago

- ✓ Generated operating cash flow of \$28.4 million
- ✓ Improved leverage by 14bps and on target to achieve full year target



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Current Results and Outlook

First Quarter 2019 Highlights

- Net revenue increased \$14.0 million, or 6.7%, to \$222.7 million. Organic growth contributed \$7.2 million or 345 basis points of incremental net revenue primarily from strong growth in the club channel and higher revenue due to price increases. The acquisition of the Cloverhill Business contributed \$6.8 million or 326 basis points of incremental net revenue.
- Total Company point of sale increased 1.6% and market share of 18.2% was consistent with the first quarter of 2018.*
- Adjusted EBITDA increased 5.1% or \$2.4 million to \$49.4 million, or 22.2% of net revenue
- Cash and cash equivalents were \$160.5 million as of March 31, 2019 with a leverage ratio of 4.4x, both driven by first quarter operating cash flows of \$28.4 million.

* Point of sale and market share data for the 13 weeks ended 3/23/19 versus the comparable period in the prior year. Prior period market data presented herein reflects a restatement of Convenience Channel data executed by Nielsen during fourth quarter of 2018. Additionally, prior period Nielsen data was adjusted to exclude the Cloverhill® and Big Texas® brands in the periods they were not owned.



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Consolidated Financial Results

Meaningful Growth in Revenue and Gross Profit

	Quarter Ended March 31,				Change		
(\$ in millions, except per share data)	2019		2018		\$	%	
Net Revenue	\$	222.7	\$	208.7	\$	14.0	6.7%
Adjusted Gross Profit	\$	76.8	\$	72.2	\$	4.6	6.4%
Adjusted Gross Margin		34.5%		34.6%		-10 bps	—%
Adjusted EBITDA	\$	49.4	\$	47.0	\$	2.4	5.1%
Adjusted EPS	\$	0.14	\$	0.14	\$	—	—%

Adjusted Gross Profit, Adjusted Gross Margin, 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 and reconciliations to the comparable GAAP measures.



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Quarterly Point of Sale & Market Share

Across Multiple Channels

POS Change

1.8%

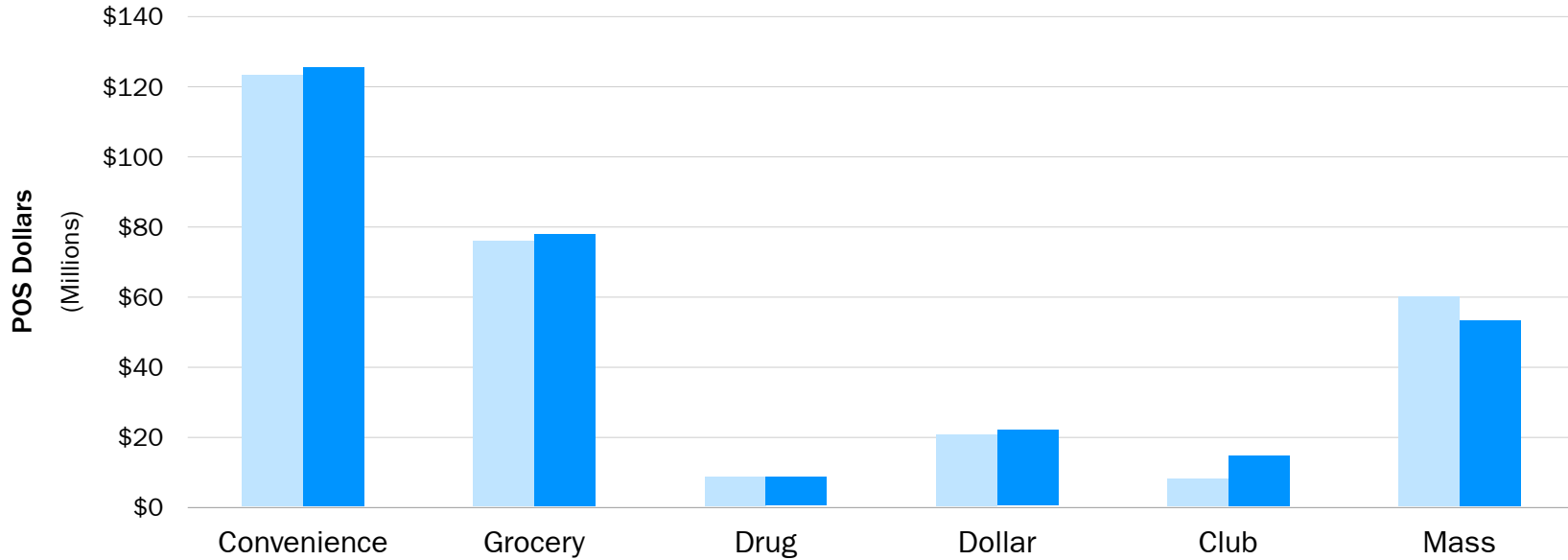
2.4%

(1.9)%

5.1%

78.3%

(11.4)%



Q1 2018



Q1 2019

Market Share

23.0%

13.3%

44.3%

22.5%

20.5%

15.9%

Market Share

Change (bps)

20

0

(50)

(60)

870

(380)



Point of sale and market share data for the 13 weeks ended 3/23/19 as compared to the comparable period in the prior year. Current and prior period market data presented herein reflects a restatement of Convenience Channel data executed by Nielsen during fourth quarter 2018. Additionally, prior period Nielsen data was adjusted to exclude the Cloverhill® and Big Texas® brands in the periods they were not owned by Hostess.

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Full-Year 2019 Guidance

Reaffirming Previous Guidance

	2018	2019 Guidance
(\$ in millions, except ratio, per share data and tax rate)		
Net Revenue	\$850.4	Growth well above the SBG Category
Adjusted EBITDA	\$186.2	\$200 - \$210
Adjusted EPS	\$0.54	\$0.57 - \$0.62
Leverage Ratio	4.5x	3.5x - 3.7x
Cash Flow from Operations	\$143.7	\$150 - \$160
Capital Expenditures	\$ 48.4	\$30 - \$35
Effective Tax Rate	18.2%	21% - 22%

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 and reconciliations to the comparable GAAP measures. The Company's leverage ratio is net debt (total long-term debt less cash) divided by adjusted EBITDA.



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A Look Ahead to 2019

Revenue Growth Well Above the SBG Category &
Significant Adjusted EBITDA Growth

Q1

- ☒ Execute Pricing & Launch Breakfast

Q2

- ☐ Expand Distribution of New Products
- ☐ Accelerate Growth Behind Improved Merchandising Execution

Q3

- ☐ Continue Distribution Build of Breakfast & Other Innovation
- ☐ Strong Back-to-School Programming

Q4

- ☐ Finish 2019 Strong with Significant Revenue & EBITDA Growth
- ☐ Substantially Improve Net Leverage



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Appendix

Non-GAAP Reconciliations

Adjusted Gross Profit & Adjusted Gross Margin

(\$ in millions)	Three Months Ended 3/31/2019	Three Months Ended 3/31/2018
Net revenue	\$ 222.7	\$ 208.7
Cost of goods sold	147.6	137.5
Gross profit	\$ 75.2	\$ 71.2
Gross margin	33.8%	34.1%
Non-GAAP adjustments:		
Acquisition and integration costs	1.6	—
Special employee incentive compensation	—	1.0
Adjusted gross profit	\$ 76.8	\$ 72.2
Adjusted gross margin	34.5%	34.6%



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Non-GAAP Reconciliations

Adjusted EBITDA

(\$ in millions)	Three Months Ended 3/31/2019	Three Months Ended 3/31/2018
Net income	\$ 26.6	\$ 29.3
Non-GAAP adjustments:		
Income tax provision	(1.2)	6.5
Interest expense, net	10.2	9.3
Depreciation and amortization	10.9	10.1
Share-based compensation	2.3	1.6
Tax Receivable Agreement remeasurement and gain on buyout	(1.8)	(12.4)
Impairment of property and equipment, intangible assets and goodwill	—	1.4
Acquisition and integration costs	1.6	—
Special employee incentive compensation	0.4	1.0
Other	0.4	0.1
Adjusted EBITDA	\$ 49.4	\$ 47.0



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Non-GAAP Reconciliations

Adjusted Net Income & Adjusted EPS

	Three Months Ended 3/31/2019	Three Months Ended 3/31/2018
(\$ in millions, except shares and per share)		
Net income	\$ 26.6	\$ 29.3
Non-GAAP adjustments:		
Tax Receivable Agreement remeasurement and gain on buyout	(1.8)	(12.4)
Remeasurement of deferred taxes	(6.0)	—
Impairment of property and equipment, intangible assets and goodwill	—	1.4
Acquisition and integration costs	1.6	—
Special employee incentive compensation	0.4	1.0
Tax impact of adjustments	(0.4)	1.1
Adjusted net income	20.3	20.5
Non-controlling interest allocation of net income	(5.5)	(5.5)
Non-controlling interest allocation of adjustments	(0.4)	(0.6)
Adjusted net income attributed to Class A stockholders	\$ 14.4	\$ 14.5
Weighted average Class A shares outstanding-diluted	100,777,609	105,041,015
Adjusted EPS	\$ 0.14	\$ 0.14



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