



Investor Presentation

February 26, 2020

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; 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; 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. 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

Adjusted gross profit, adjusted operating income, adjusted net income, 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 gross profit, operating income, net income 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 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 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.



a sustainable, profitable
growth story



Hostess Brands

Celebrating 100 Years of Delighting Consumers



2019 Annual Net Revenue
\$908 million

2019 Annual Adjusted EBITDA
\$205 million

2019 Annual Operating Cash Flow
\$144 million

Iconic Brands

18.8% Market Share

Continuous Innovation
to Drive Growth

Efficient Manufacturing &
Distribution Model

Proven Scalable Platform



#1 Market Share
in Subcategory



2019 – A Year of Transformation

Achieved Significant Strategic Objectives While Driving Sustainable Growth



Financial Results Reflecting Meaningful Growth

- **Net Revenue up 8.7%**, excluding the In-Store Bakery (“ISB”) business sold in 2019, well ahead of the SBG Category
- **Grew market share by 75 bps**, driven by Hostess branded market share growth of 69 bps
- **Expanded adjusted gross margins** by 139 bps
- **Increased adjusted EBITDA by 10%** to \$205 million, within top quartile of February 2019 guidance (adjusted for sale of ISB)
- Generated operating cash flows of \$144 million **reducing leverage to 3.4x** from 4.5x

Transformative Operational Accomplishments

- Implemented operational enhancements to drive significant **profitability improvement of Cloverhill Business**
- Completed strategic **changes to portfolio** through disposition of ISB business and acquisition of Voortman Cookies
- Executed transition of **distribution capabilities** to Kansas expanding capabilities and capacity for growth
- Advanced capabilities through **enhanced tools and data analytics and addition of key talent** to improve performance
- Invested in **marketing and innovation** including the celebration of Hostess’ 100th anniversary with the Birthday Cupcake

At Hostess Brands...

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

Our Growth Strategy



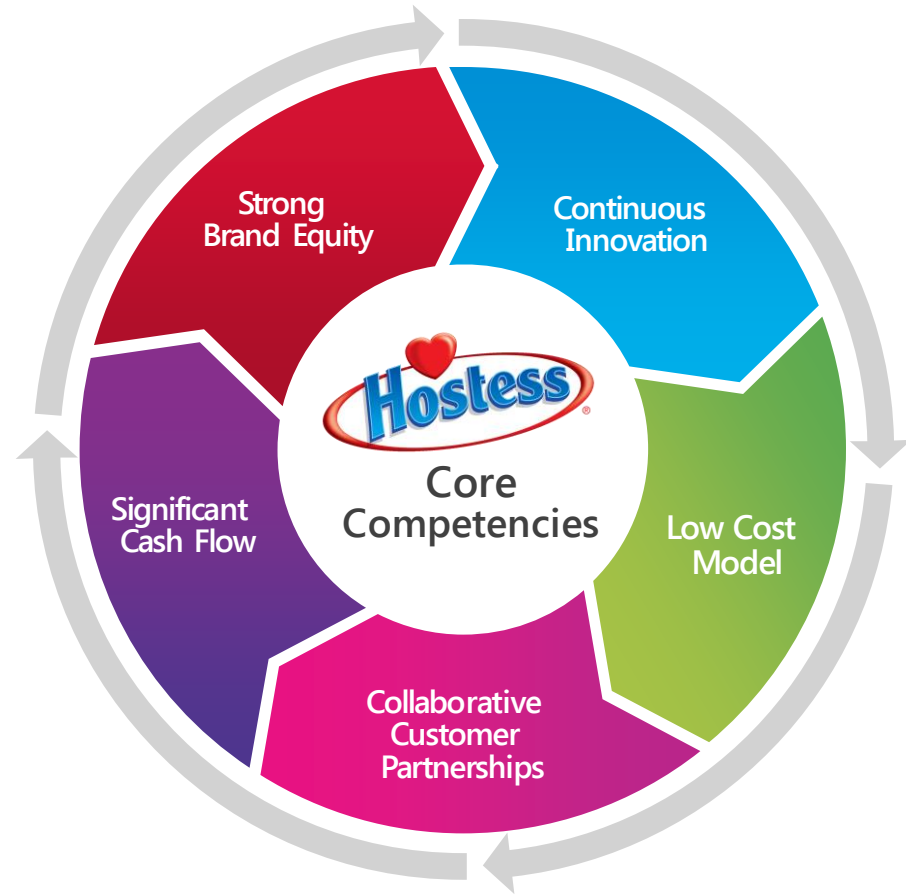
Strengthening our core Hostess brand and expanding into adjacent categories through innovation and strong partnerships with our customers



Leveraging our highly efficient and profitable business model



Executing strategic acquisitions to accelerate growth while effectively managing our capital structure




Snacking Is On The Rise



95% of U.S. adults
snack daily¹



 **21%** increase in
snacking frequency
in 2018 vs. 2017¹



1/3 of growing
snacking occasions
are in the morning²

\$30B Growth projected
in snack market,
from 2018-2022³
(\$150B-\$180B)



1. Mintel Snacking Motivations and Attitudes, January 2019
2. Hostess snacking needstates, Oct. 2019
3. Market sizing from NPD, Mintel, IRI

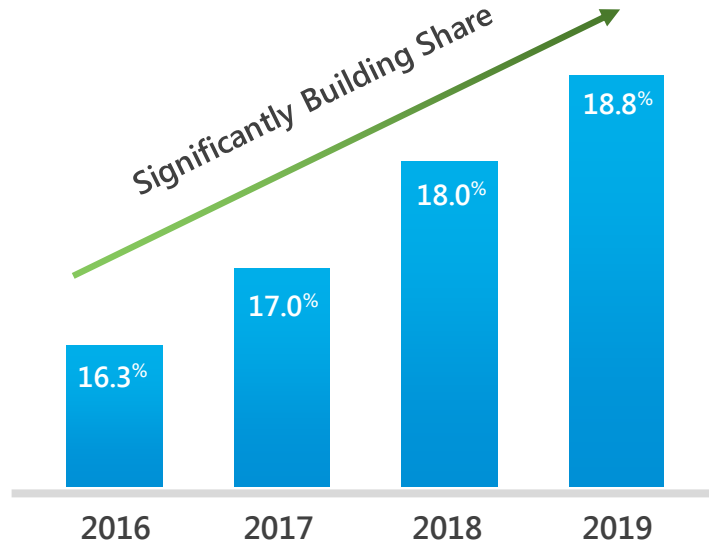
Strong Market Position



Consistent Point-of-Sale and Market Share Growth in the Sweet Baked Goods Category

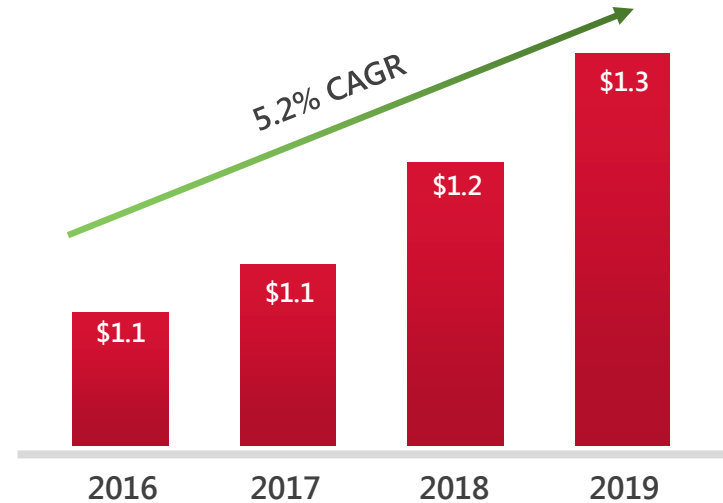
Market Share

(52 Weeks)



Point-of-Sale

(52 weeks, in billions)



Source: Nielsen, Total Nielsen Universe for the Company within the SBG Category.

Point of Sale and Market Share, 52 weeks ending 12/31/16, 12/30/17, 12/29/2018 & 12/28/19.

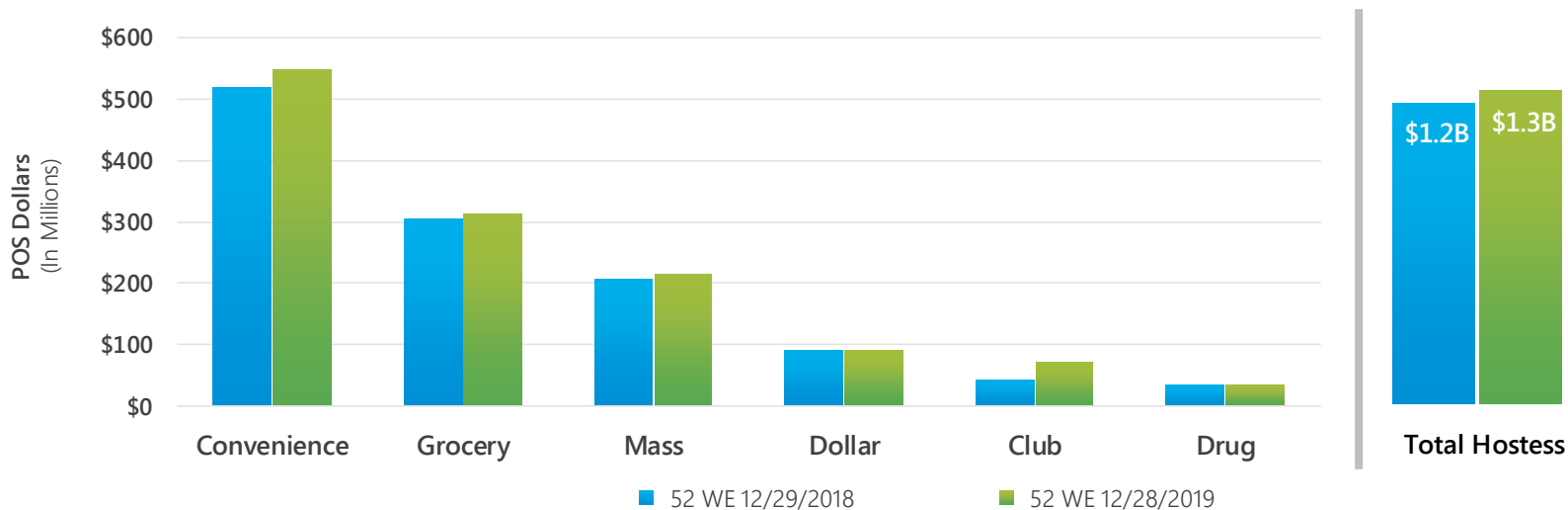
Prior period Nielsen data was adjusted to exclude the Cloverhill® and Big Texas® brands in the periods they were not owned by Hostess.

YTD Channel Point of Sale & Share



Growth Across Multiple Channels

POS Change	5.2%	2.2%	4.3%	12.5%	62.8%	(1.0%)	6.5%
------------	------	------	------	-------	-------	--------	------



Market Share	23.9%	13.4%	15.8%	23.2%	23.1%	41.8%	18.8%
Market Share Change (bps)	108	14	(9)	94	859	(166)	80

Meaningful Growth vs. Prior Year



Continued Industry-Leading Results

Net Revenue

(in millions)



Adjusted EBITDA

(in millions)



Results for year ended December 31, 2019 and 2018.

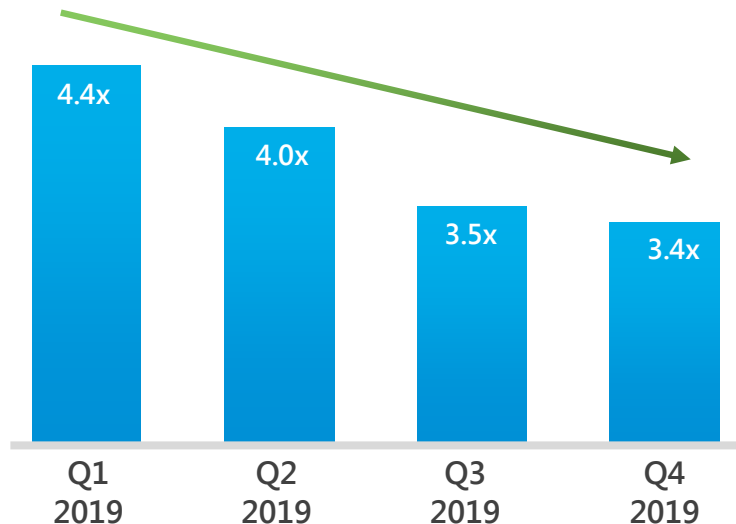
Adjusted EBITDA is a non-GAAP financial measure. See "Use of Non-GAAP Financial Measures" and the Appendix for an explanation of all non-GAAP financial measures and reconciliations to the comparable GAAP measures. 10

Significant Cash Flow Provides Flexibility



Net Leverage Ratio¹

Successfully reduced leverage while continuing to make disciplined investments for growth



Disciplined Approach to Cash Management

- Reinvest in business for future growth
- Strategic acquisitions
- De-leverage
- Return capital to shareholders

Completion of \$320 million Voortman acquisition in January 2020 will increase leverage in the first half of 2020 with expectation to actively reduce to approximately 4x by the end of the year.

Consolidated Financial Results



Meaningful Growth as Compared to Prior Year

	Quarter Ended December 31,		Change		Year Ended December 31,		Change	
	2019	2018	\$	%	2019	2018	\$	%
(\$ in millions, except per share data)								
Net Revenue	\$216.7	\$214.8	\$1.9	0.9%	\$907.7	\$850.4	\$57.3	6.7%
Adjusted Gross Profit	\$75.3	\$73.8	\$1.5	2.0%	\$310.8	\$279.4	\$32.5	11.6%
Adjusted Gross Margin	34.8%	34.3%		39 bps	34.2%	32.9%		139 bps
Adjusted EBITDA	\$52.4	\$51.4	\$1.0	2.0%	\$204.7	\$186.2	\$18.5	9.9%
Adjusted EBITDA Margin	24.2%	23.9%		25 bps	22.5%	21.9%		66 bps
Adjusted EPS	\$0.16	\$0.17	(\$0.01)	-5.9%	\$0.61	\$0.54	\$0.07	13.0%

Adjusted Gross Profit, Adjusted Gross Margin, Adjusted EBITDA, Adjusted EBITDA Margin, and Adjusted EPS are non-GAAP financial measures. Adjusted Margin is calculated as Adjusted Gross Profit divided by Net Revenue. Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by Net Revenue. 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.

Pillars for Growth



Grow the Core

Profitably drive core growth by expanding the Hostess franchise and building consumer brands while and strengthening 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

Focus on investing in talent, insights and information to create industry-leading capabilities to support the next phase of growth

Leverage Strong Cash Flow

Generate strong cash flows from efficient operating model to sustain profitable growth objectives through disciplined uses of cash

2019 Progress Against Pillars for Growth



Grow the Core	Grow through Innovation	Improve through Agility & Efficiency	Cultivate Talent & Capabilities	Leverage Strong Cash Flow
<ul style="list-style-type: none">✓ Executed multi-faceted price increase across all channels✓ Developing new tools and capabilities to improve analytics✓ Expanding Hostess Partner Program to Grocery channel	<ul style="list-style-type: none">✓ Launch of Birthday Cupcakes, Totally Nutty and Triple Chocolate Brownies✓ Expansion of Breakfast and Value Brands✓ Continued development of innovation pipeline	<ul style="list-style-type: none">✓ Cloverhill Business improved profitability✓ Executed transition of distribution capabilities in Kansas✓ Achieved additional core bakery savings✓ Invested in manufacturing capabilities	<ul style="list-style-type: none">✓ Created new hub for marketing, innovation and category management in Chicago with key new hires including new CMO✓ Investing in new R&D Center	<ul style="list-style-type: none">✓ Generated operating cash flow of \$144 million✓ Improved leverage to 3.4x✓ Sold In-Store Bakery business for \$65 million✓ Refinanced debt at favorable terms✓ Finalized acquisition of Voortman

A Look Back at 2019 Achievements

Accomplished Stated Objectives and More



Voortman Provides Strategic Platform for Growth Beyond SBG



Provides Entry Into Attractive Wafer and Sugar-Free Cookie Categories

Leverages Hostess' Model and Unlocks Meaningful Distribution Opportunity

Integration Progressing On-Track

- Announced conversion from direct store delivery to Hostess' warehouse distribution model beginning April 2020
- Re-engineered and road-tested new case configuration
- IT transition underway and on-target
- Customer communication and alignment on-track
- Edgerton warehouse plan developed and ready for integration
- Team communication ongoing and on pace for SG&A synergy capture
- In-store merchandising team in place and growth plans being developed

Reaffirms 2020 Guidance

- Net revenue of ~\$90 million
- Mid-single digit adjusted EPS accretion
- First half of 2020 focus on transition with EBITDA growth accelerating in second half of 2020



Full-Year 2020 Guidance



Double-Digit Adjusted EBITDA and EPS Growth Expected

(\$ in millions, except ratio, per share data and tax rate)	2019 Actuals	2020 Guidance (including Voortman)	Impact of Voortman Acquisition
Net revenue	\$907.7 ¹	Organic growth ahead of SBG Category	~\$90
Adjusted EBITDA	\$204.7 ¹	\$225 - \$240	~\$20
Adjusted EPS	\$0.61	\$0.65 - \$0.75	~\$0.03
Leverage Ratio	3.4x	~4x	\$140M debt to finance purchase
Capital Expenditures	\$34.9	\$50 - \$60	~\$20
Effective Tax Rate	17.9%	24% - 26%	

¹ In-Store Bakery net revenue and adjusted EBITDA included in the 2019 actual results were \$28.7 million and \$4.7 million, respectively.

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's leverage ratio is net debt (total long-term debt less cash) divided by adjusted EBITDA. 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, changes in allocation to the non-controlling interest, 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 this press release for further information about the use of these measures.

A Look Ahead to 2020

Strong Revenue Growth and EBITDA Margin Expansion



Q1

- ☒ Close on purchase of Voortman
- ☐ Complete new R&D Center
- ☐ Drive efficiencies at new distribution center
- ☐ Expand distribution of newly launched innovation
- ☐ Execute customer sell-in of Voortman warehouse conversion

Q2

- ☐ Integrate Voortman into Hostess distribution model
- ☐ Execute capacity and productivity investments to provide long-term enhancements to infrastructure and supply chain
- ☐ Launch regional multi media consumer engagement test market

Q3

- ☐ Expand distribution for new innovation and further build longer-term innovation pipeline
- ☐ Expand merchandising at key retailers
- ☐ Execute successful sell-in of next wave of innovation for 2021

Q4

- ☐ Continue distribution build of new innovation
- ☐ Meaningfully reduce net leverage
- ☐ Grow Voortman and expand distribution as we capture synergies
- ☐ Continue sell-in of next wave of innovation for 2021



a sustainable, profitable growth story

Objective: long-term leading performance in our peer group



Organic Revenue
Growth
Top Quartile of
Peer Group¹

(Well ahead of the SBG Category)



Adjusted EBITDA
Margin
Top Quartile of
Peer Group¹



Free Cash Flow
Conversion
Top Quartile of
Peer Group¹



Delivering Industry-Leading Total Shareholder Returns



Appendix

Non-GAAP Reconciliations - 2019



	Three Months Ended December 31, 2019				Year Ended December 31, 2019			
	Gross Profit	Operating Income	Net Income	Diluted EPS	Gross Profit	Operating Income	Net Income	Diluted EPS
GAAP Results	\$ 70.8	\$ 39.5	\$ 23.5	\$ 0.17	\$ 299.8	\$ 136.0	\$ 77.6	\$ 0.55
Non-GAAP adjustments:								
Foreign currency contract gain	-	(7.1)	(7.1)	(0.06)	-	(7.1)	(7.1)	(0.06)
Acquisition, disposal and integration costs	-	1.9	1.9	0.02	1.6	5.5	5.5	0.05
Special employee incentive compensation	-	-	-	-	-	1.9	1.9	0.02
Facility transition costs	4.5	5.9	5.9	0.05	9.4	12.1	12.1	0.11
Tax Receivable Agreement Remeasurement	-	(1.1)	(1.1)	(0.01)	-	0.2	-	-
Impairment of property and equipment, intangible assets and goodwill	-	0.5	0.5	-	-	2.0	2.0	0.02
Loss on debt refinancing	-	-	0.5	-	-	1.5	2.1	0.02
Remeasurement of deferred taxes	-	-	(0.9)	(0.01)	-	-	(4.6)	(0.04)
Other	-	-	-	-	-	-	1.2	-
Tax impact of adjustments	-	-	(0.4)	-	-	-	(3.9)	(0.03)
NCI allocation of adjustments	-	-	-	-	-	-	-	(0.03)
Adjusted Non-GAAP results	\$ 75.3	\$ 39.6	\$ 22.8	\$ 0.16	\$ 310.8	\$ 152.1	\$ 86.8	\$ 0.61
Income tax			7.3				25.4	
Interest expense			9.5				39.9	
Depreciation & amortization			10.7				43.4	
Share-based compensation			2.1				9.2	
Adjusted EBITDA			\$ 52.4				\$ 204.7	

Non-GAAP Reconciliations - 2018



	Three Months Ended December 31, 2018				Year Ended December 31, 2018			
	Gross Profit	Operating Income	Net Income	Diluted EPS	Gross Profit	Operating Income	Net Income	Diluted EPS
GAAP Results	\$ 68.8	\$ 30.3	\$ 16.3	\$ 0.12	\$ 267.3	\$ 121.6	\$ 81.4	\$ 0.61
Non-GAAP adjustments:								
Acquisition, disposal and integration costs	4.8	5.1	5.1	0.05	10.1	10.4	10.4	0.10
Special employee incentive compensation	0.2	1.2	1.2	0.01	2.0	3.5	3.5	0.03
Tax Receivable Agreement Remeasurement	-	(0.1)	(0.1)	-	-	(1.9)	(14.3)	(0.14)
Impairment of property and equipment, intangible assets and goodwill	-	3.5	3.6	0.03	-	5.0	5.0	0.05
Remeasurement of deferred taxes	-	-	(0.4)	-	-	-	(5.4)	(0.05)
Other	-	-	-	-	-	0.6	0.8	-
Tax impact of adjustments	-	-	(2.1)	(0.02)	-	-	(2.0)	(0.02)
NCI allocation of adjustments	-	-	-	(0.02)	-	-	-	(0.04)
Adjusted Non-GAAP results	\$ 73.8	\$ 40.0	\$ 23.6	\$ 0.17	\$ 279.4	\$ 139.2	\$ 79.4	\$ 0.54
Income tax			6.1				20.4	
Interest expense			10.3				39.4	
Depreciation & amortization			10.0				41.4	
Share-based compensation			1.4				5.6	
Adjusted EBITDA			\$ 51.4				\$ 186.2	