



**THE  
ORIGINAL.**

**HOSTESS BRANDS  
INVESTOR PRESENTATION**

November 2016



# DISCLAIMER

## **Forward Looking Statements**

This investor presentation contains statements reflecting our views about our future performance that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 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. Hostess undertakes 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 our reputation and brand image; protecting our intellectual property rights; leveraging our brand value to compete against lower-priced alternative brands; correctly predicting, identifying and interpreting changes in consumer preferences and demand and offering new products to meet those changes; operating in a highly competitive industry; our continued ability to produce and successfully market products with extended shelf life; 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; our dependence on our major customers; our geographic focus could make us particularly vulnerable to economic and other events and trends in North America; increased costs in order to comply with governmental regulation; general political, social and economic conditions; 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; our insurance may not provide adequate levels of coverage against claims; failures, unavailability, or disruptions of our information technology systems; our ability to achieve expected synergies and benefits and performance from our strategic acquisitions; dependence on 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 from time to time in our Securities and Exchange Commission filings, including, without limitation, our Annual Report on Form 10-K.

## **Industry and Market Data**

In this Investor Presentation, Hostess relies on and refers to information and statistics regarding market shares in the sectors in which it competes and other industry data. Hostess obtained this information and statistics from third-party sources, including reports by market research firms, such as Nielsen. Hostess 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’ 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 and amortization (“Adjusted EBITDA”), Adjusted EBITDA Margin and Free Cash Flow. In this Investor Presentation, Adjusted EBITDA and Adjusted EBITDA Margin exclude certain add-backs. Adjusted EBITDA Margin represents Adjusted EBITDA divided by total revenues. Free Cash Flow conversion is defined as Adjusted EBITDA minus capital expenditures divided by Adjusted EBITDA. You can find the reconciliation of these measures to the nearest comparable GAAP measures in the Appendix.

Hostess believes that these non-GAAP measures of financial results provide useful information to management and investors regarding certain financial and business trends relating to Hostess’ financial condition and results of operations. Hostess’ management uses these non-GAAP measures to compare Hostess’ performance to that of prior periods for trend analyses, for purposes of determining management incentive compensation, and for budgeting and planning purposes. These measures are used in monthly financial reports prepared for management and Hostess’ board of directors.

Hostess 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 does not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with GAAP.

Other companies may calculate Adjusted EBITDA, Adjusted EBITDA Margin, Free Cash Flow and other non-GAAP measures differently, and therefore Hostess’ Adjusted EBITDA, Adjusted EBITDA Margin, Free Cash Flow and other non-GAAP measures may not be directly comparable to similarly titled measures of other companies.

# EXPERIENCED SENIOR LEADERSHIP

## Hostess



**Dean Metropoulos**  
Executive Chairman

- Executive Chairman of Hostess
- Founder and Executive Chairman of Metropoulos & Co.
- More than 30 years of successful experience revamping iconic brands throughout the consumer space
- Strong track record of growing revenues, reducing costs and enhancing capital efficiency of portfolio companies



**Bill Toler**  
President & CEO

- President and CEO of Hostess
- Former CEO and President of AdvancePierre Foods and former President of Pinnacle Foods
- More than 30 years of executive experience in the food and consumer sector
- Proven track record for brand growth, strategic planning and operations



**Tom Peterson**  
EVP & CFO

- Served as Hostess Corporate Controller since relaunch and promoted to CFO in March 2016
- Formerly a Managing Director at FTI Consulting and on the restructuring team of Legacy Hostess
- More than 20 years of accounting and finance expertise in a broad range of industries





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THE  
**SWEETEST  
COMEBACK**  
IN THE HISTORY OF  
**EVER.**



**AN  
ICON  
RETURNS**



**THE  
SWEETEST  
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IN THE  
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OF EVER.**



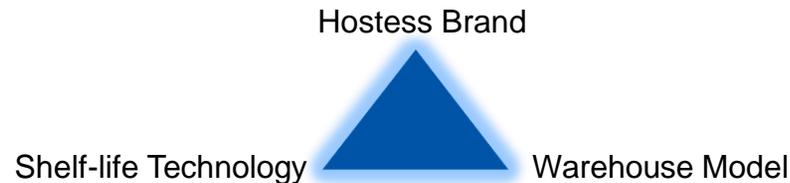
## I. BUSINESS OVERVIEW



# KEY BUSINESS THEMES

- **Iconic brands with nearly 100-year history**

- **Hostess business transformation:**



- **Significant capital investment (~\$150 million) since the relaunch has driven optimization across manufacturing, distribution and implementation of highly analytical IT systems**
- **Strong customer support – Hostess brand driving Sweet Baked Goods (“SBG”) category growth while providing retailers the premium brand consumers want, improved penny profits, and higher margins**
- **The growth potential of this platform is strong and expanding**
  - **Core:** Innovation and Brand extensions – Flavors, Forms, Packaging, Bread, Premium, Better For You
  - **White-space:** In-Store Bakery, Frozen Retail, Foodservice, and International opportunities largely untapped
  - **Acquisitions:** Recent acquisition of Superior Cake Products (“Superior”) aimed at accelerating development in the ISB category
- **Best-in-class financial position**
  - Strong and sustainable top-line growth
  - Industry-leading EBITDA margins of ~29%<sup>(1)</sup>
  - Significant Adjusted EBITDA to Free Cash Flow Conversion<sup>(2)</sup>
  - Clean balance sheet – No legacy issues

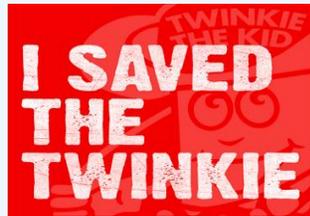
**Hostess is a \$1bn+ brand at Retail with upside potential**

(1) See Appendix for an explanation of all non-GAAP measures and a reconciliation to the most comparable GAAP measures.  
(2) Defined as (Adj. EBITDA – Capex) / Adj. EBITDA. Capex includes maintenance capex and expansion capex.

# BRAND STRENGTH DRIVING GROWTH AND CATEGORY

## Special emotional relationship with consumers

U.S. consumers share a special emotional relationship with the 96 year old Hostess, a brand that defines the rapidly growing “Indulgent Snacking” trend



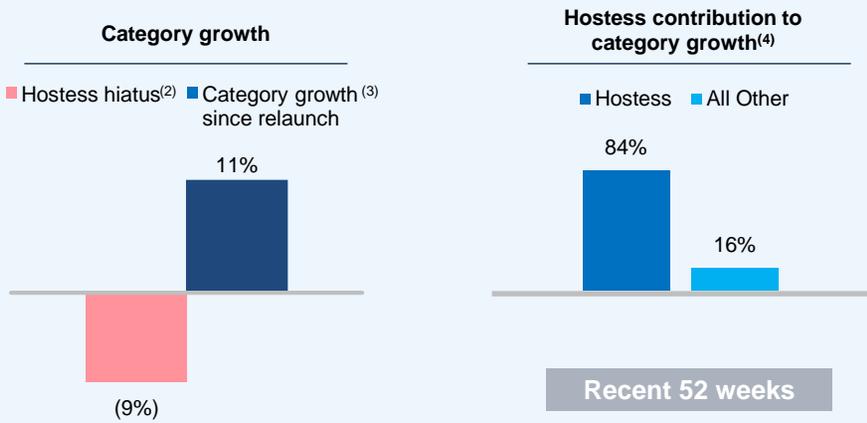
## Premium price point<sup>(1)</sup>

Hostess products sell at a premium to the competition and the gap continues to widen



## Leading category growth

Hostess has contributed over 70% of the SBG category's growth during recent 52 weeks



## Strong growth momentum<sup>(5)</sup>

Despite two years of rapid gains, Hostess still has room to grow



Notes: Hostess data does not include Superior.

(1) Nielsen U.S. total universe, 52 weeks ending 9/10/2016.

(2) Nielsen U.S. total universe, 12 weeks ending 11/3/2012 compared to 12 weeks ending 1/26/2013.

(3) Nielsen U.S. total universe, 52 weeks ending 9/10/2016.

(4) Nielsen U.S. 52 weeks ending 8/13/2016.

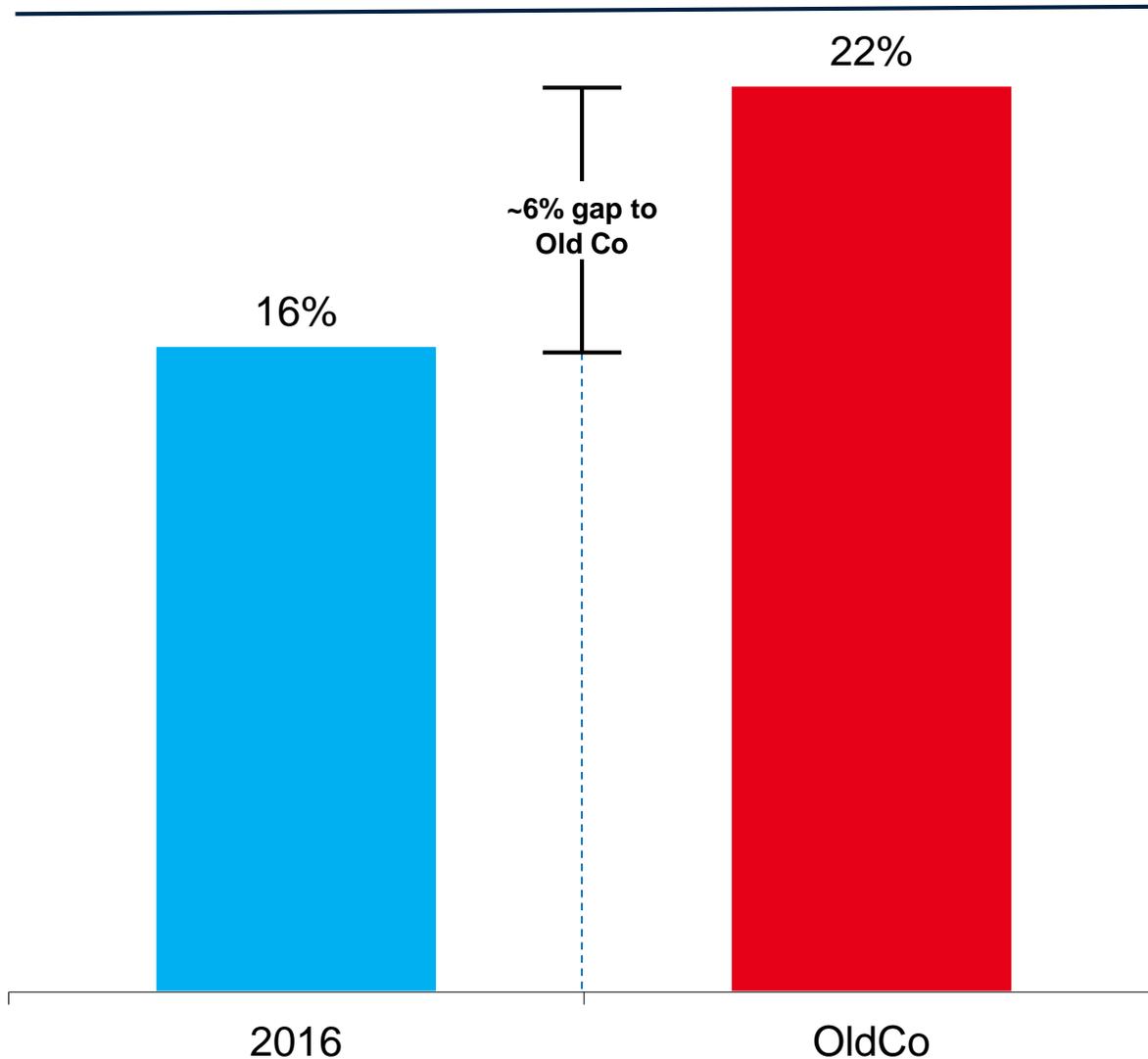
(5) Hostess market share, Total Nielsen Universe. Nielsen U.S. 12 weeks ending 10/6/2012, 24 weeks ending 1/4/2014, 52 weeks ending 12/27/2014, 1/3/2015, and year-to date ending 9/10/2016.

Market share based on retail sales dollars.



# HOSTESS STILL HAS SIGNIFICANT HEADROOM FOR GROWTH AND SHARE GAINS

## Hostess \$ share of SBG category<sup>1</sup>



## Significant Upside Remains

- ✓ Distribution expansion (more items in more stores)
- ✓ Custom SKUs
- ✓ Seasonal flavors
- ✓ Display execution
- ✓ Portfolio optimization
- ✓ eCommerce

Notes: Hostess data does not include Superior.

<sup>1</sup> Hostess market share, Total Nielsen Universe. Nielsen U.S. 12 weeks ending 10/6/2012, year-to-date ending 9/10/2016. Market share based on retail sales dollars.



# HOSTESS HAS SIGNIFICANT ROOM FOR GROWTH BOTH IN AND BEYOND SBG



TODAY<sup>1</sup>

\$1.1B

IN-AISLE WHITE SPACE<sup>2</sup>

\$1.5B

NEW AISLES AND CHANNELS<sup>2</sup>

\$2B

1 Current sales, 8/13/2016, AC Nielsen total universe.

2 Estimated based on assumptions of reasonable share gains against market size in new snack categories.



# OPPORTUNITIES FOR THE FUTURE

Great Foundation



Culture of Growth



Innovation

## Core

- New products and platforms
- Line extensions and flavors
- Seasonal LTO programs
- ACV expansion



## White Space

- Frozen Retail
- Food Service
- Club
- International
- School items



## Acquisitions & Licensing

- Acquisition of Superior Cake Products, Inc.<sup>1</sup>
- Cross-category licensing partnerships



# HOSTESS' APPROACH TO BETTER-FOR-YOU

Objective: provide better-for-you options for consumers while maintaining brand equity and taste credentials



*Phased approach to “cleaner label” on core*

- ✓ **Today** – “0 grams trans fat per serving and no PHOs”
- ✓ **Short-term** – Label simplification and focus on natural flavors and colors
- ✓ **Long-term** – Formulation changes to remove animal fats and other targeted ingredients

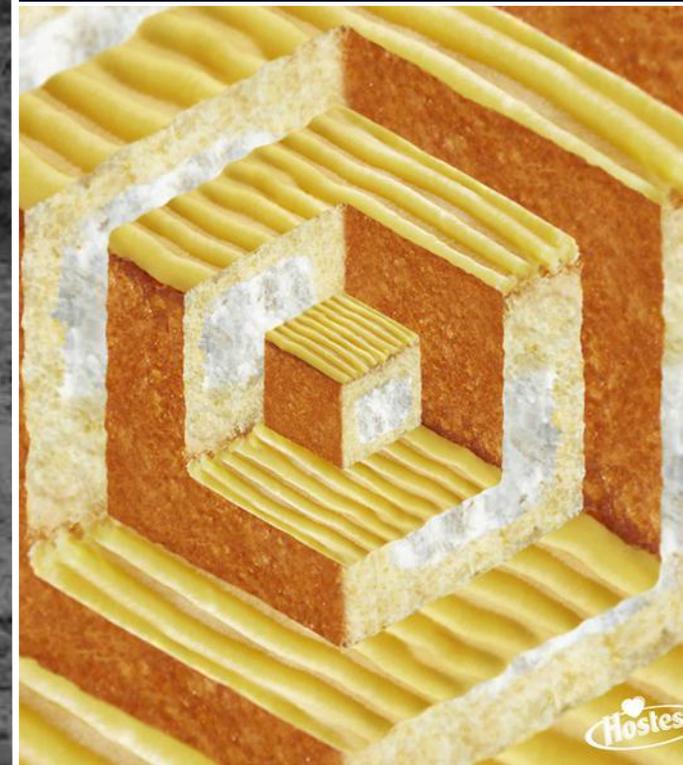
*New items delivering BFY benefits*

- ✓ **Today** – New Mini Muffins deliver 8g whole grain. Banana muffins: “smart snack” for school nutrition compliance
- ✓ **Longer-term** – New platforms to deliver positive nutrition





**TAX TIP: CALLING A TWINKIE YOUR "BABY" DOESN'T ALLOW YOU TO CLAIM IT AS A DEPENDENT.**

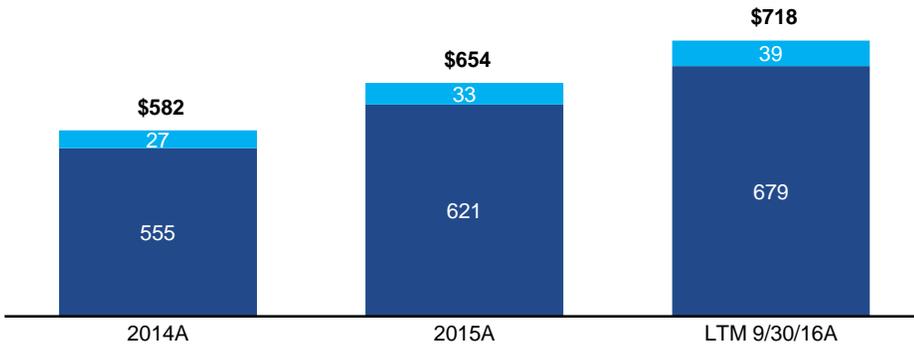


## II. FINANCIAL OVERVIEW

# SIGNIFICANT GROWTH SINCE RE-LAUNCH WITH MEANINGFUL UPSIDE POTENTIAL

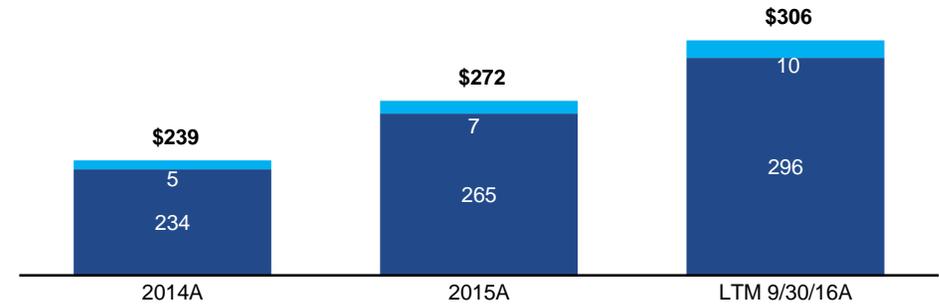
## Net Revenue

(\$ in millions)



## Gross Profit<sup>(1)</sup>

(\$ in millions)



% Margin:

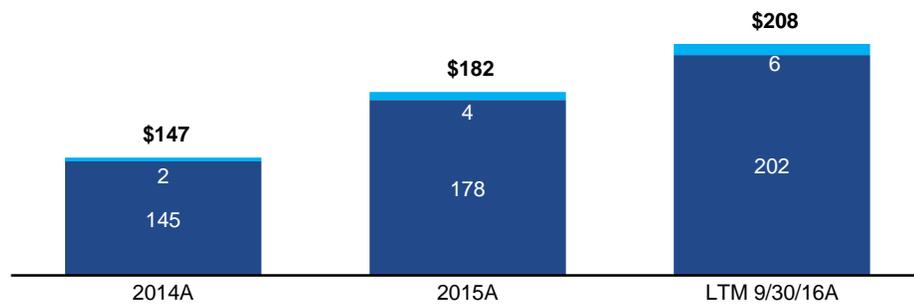
41%

42%

43%

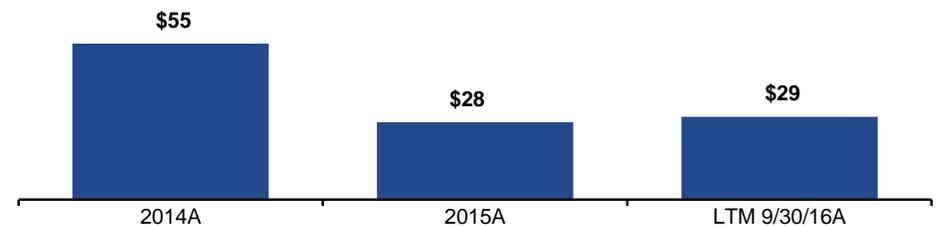
## Adj. EBITDA

(\$ in millions)



## Capital Expenditures

(\$ in millions)



% Margin:

25%

28%

29%

■ Hostess Standalone ■ Superior Standalone

**Notes:** Superior Cake Products, Inc. figures are unaudited based upon actual/estimated results and do not contain any adjustments as a result of applying purchase accounting. Some figures may not add up exactly due to rounding. See Appendix for an explanation of all non-GAAP measures and a reconciliation to the most comparable GAAP measures.

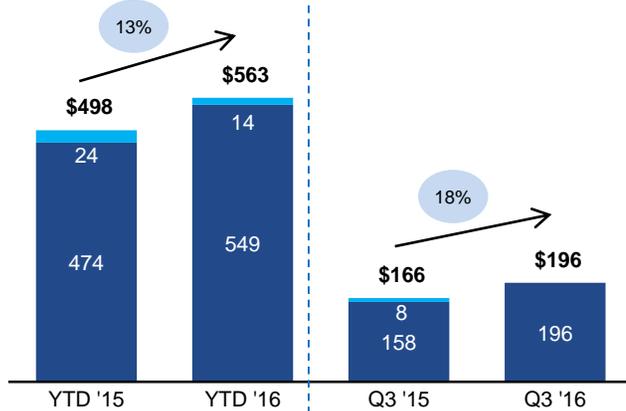
(1) Gross profit figures exclude special employee incentive compensation as well as costs associated with Recall.



# STRONG MOMENTUM CONTINUES IN Q3 2016

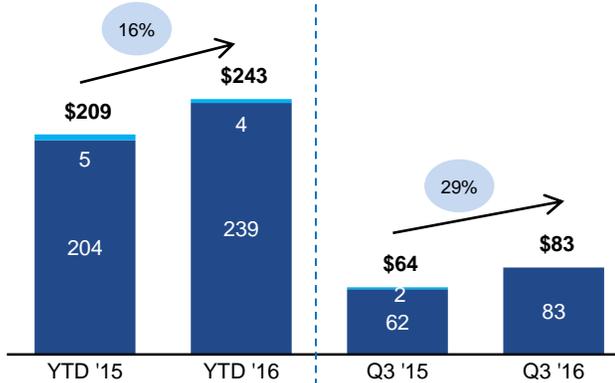
## Net Revenue

(\$ in millions)



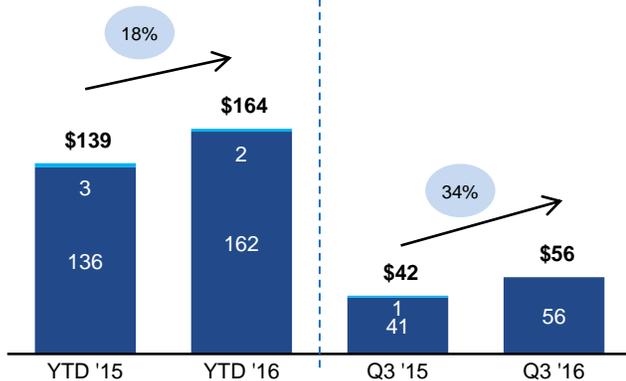
## Gross Profit<sup>(1)</sup>

(\$ in millions)

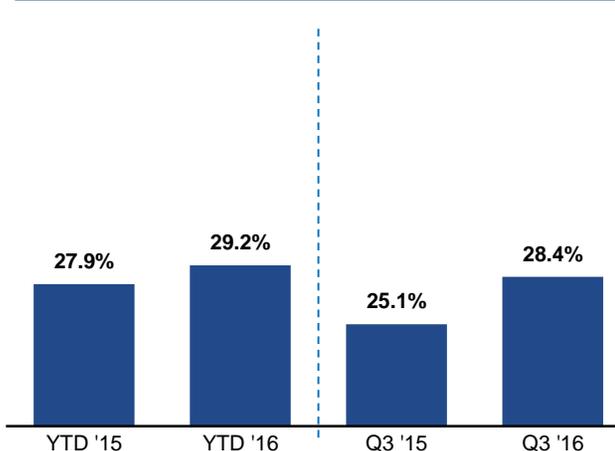


## Adj. EBITDA

(\$ in millions)



## Adj. EBITDA Margin



■ Hostess<sup>(2)</sup> ■ Superior<sup>(3)</sup>

## Q3 2016 Highlights:

- Hostess continues significant growth with 24% on a GAAP basis and 18% pro forma for Superior pre-acquisition results, driven by new product launches and continued development in small format
- Hostess drove gross margin increase of 3.7% and \$19 million of total gross profit dollars, a 29% increase
- Hostess increased Adjusted EBITDA by 34%
- Hostess Adjusted EBITDA margin increased 330 bps for Q3 and 130 bps YTD

**Notes:** Some figures may not add up exactly due to rounding. See Appendix for an explanation of all non-GAAP measures and a reconciliation to the most comparable GAAP measures.

(1) Gross profit figures exclude costs associated with Recall.

(2) Hostess YTD'16 financials include the performance of Superior from 5/10/2016 through 9/30/2016 (correspondingly excluded from YTD'16 Superior results).

(3) Superior YTD'16 financials include the performance of Superior from 1/1/2016 through 5/9/2016.



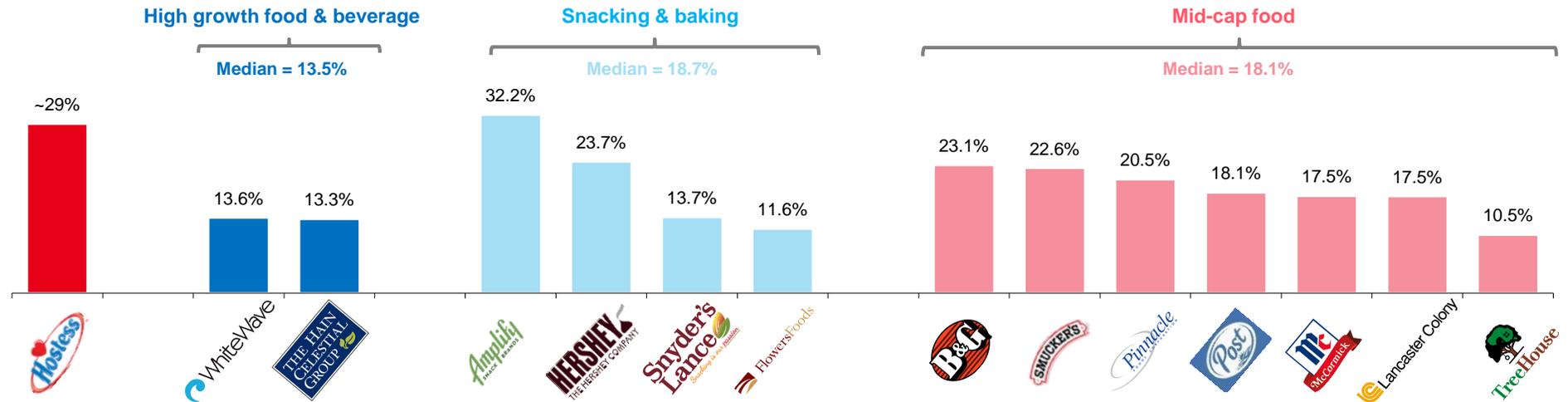
# SUSTAINABILITY OF MARGINS

| Driver                | Commentary  |
|-----------------------|---|
| Pricing               | <ul style="list-style-type: none"><li>▪ No material change in retail pricing model relative to legacy business</li><li>▪ Hostess is the leading brand in the premium segment</li><li>▪ As a category leader, retailers are supportive of our price structure since it generates a higher penny profit and profit margin for them relative to other brands</li></ul>   |
| Manufacturing         | <ul style="list-style-type: none"><li>▪ ~\$150 million invested to create state-of-the-art manufacturing capabilities</li><li>▪ Hostess has a 3 bakery model that concentrates production of items to individual production lines</li><li>▪ Hostess has significant future cost savings potential and cost avoidance opportunities as we grow:<ul style="list-style-type: none"><li>▪ ~\$25m of annual manufacturing costs are fixed overhead that can be leveraged</li><li>▪ Less than 80% capacity utilization today</li><li>▪ Significant automation opportunities available</li></ul></li></ul> |
| SG&A and Distribution | <ul style="list-style-type: none"><li>▪ SG&amp;A functions fully built out with no legacy costs, pension obligations, etc.</li><li>▪ ~40% of SG&amp;A is fixed (e.g., corporate) that can scale with incremental sales</li><li>▪ Third party warehouse and common carrier transportation provides scale and efficiency</li></ul>  |

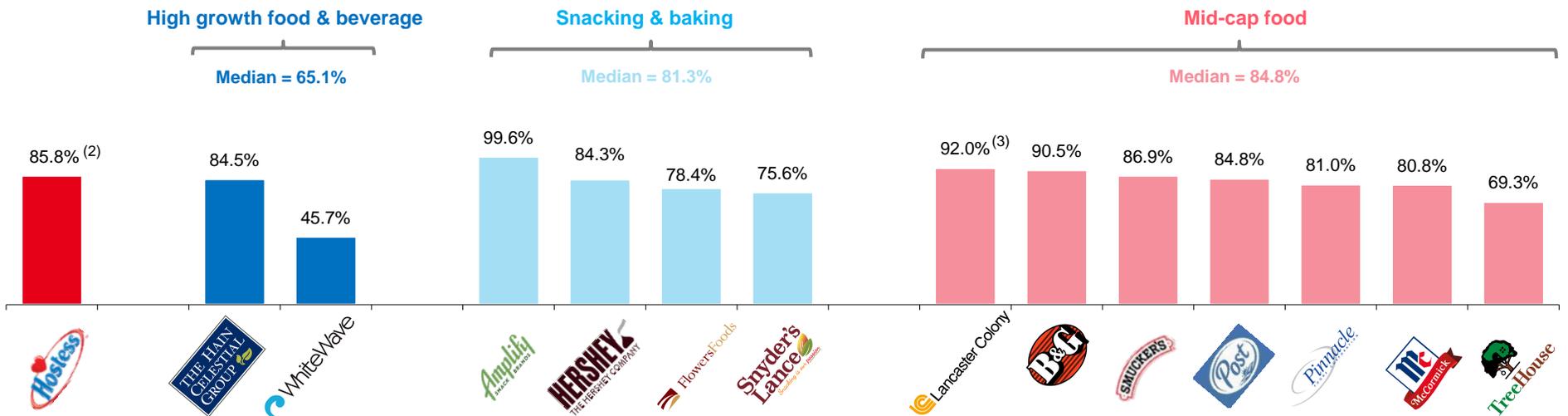
*Strong margin profile driven by: (i) the health of the SBG category combined with (ii) Hostess' leading brand position in the premium segment and (iii) a highly efficient operating model that could only be implemented through the unique circumstances around the relaunch*

# ATTRACTIVE MARGIN PROFILE RELATIVE TO PEERS

## LTM 9/30/16 Adj. EBITDA Margins



## LTM 9/30/16 FCF Conversion<sup>(1)</sup>



**Hostess' competitively advantaged business model contributes to its best in class margins**

Source: Company and public filings; WallStreet Research; FactSet.

Notes: LTM as of 9/30/2016.

(1) FCF conversion defined as (Adj. EBITDA-Capex) / Adj. EBITDA.

(2) Represents LTM 9/30/2016 Hostess FCF Conversion; Adj. EBITDA - \$207.4 million, Capex \$29.4 million; Hostess LTM 9/30/16 FCF Conversion of 85.8%





**EAT THIS.**



**NOT THIS.**



### III. TRANSACTION SUMMARY



# SPAC TRANSACTION TERMS

- Acquisition enterprise value of \$2,292 million
- Net Debt of approximately \$991M, recapitalized to an all first lien structure at LIBOR + 300 bps
- C. Dean Metropoulos (CDM) is Executive Chairman.
- C. Dean Metropoulos and family affiliates continue to have over \$300 million invested in the company
- Completed \$350 million private placement (includes \$50mm of additional roll-over contribution from C. Dean Metropoulos) with additional PIPE investors
- Transaction completed on November 4, 2016

## Valuation

(\$ in millions, except per share values)

|  | At transaction close |
|--|----------------------|
| Gores share price                          | \$10.00              |
| Shares outstanding (millions) <sup>2</sup> | 130.0                |
| Total equity value                         | \$1,300.4            |
| Net debt                                   | \$991.8              |
| Acquisition enterprise value               | \$2,292.2            |

## Sources & uses

(\$ in millions)

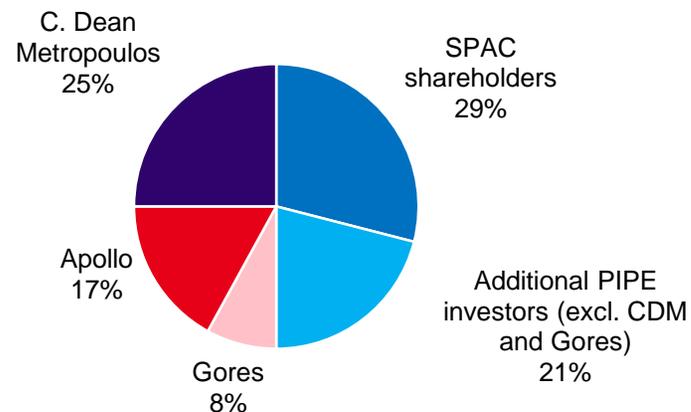
### Sources

|   |              |
|---|--------------|
| Gores Holdings cash   | \$375        |
| Additional PIPE investors (excluding \$50mm additional roll-over contribution from CDM) | \$300        |
| CDM additional roll-over contribution   | \$50         |
| <b>Total sources</b>  | <b>\$725</b> |

### Uses

|                                  |              |
|----------------------------------|--------------|
| Cash consideration               | \$522        |
| Cash to de-lever                 | \$173        |
| Gores Holdings transaction costs | \$30         |
| <b>Total uses</b>                | <b>\$725</b> |

## Post-transaction ownership breakdown



<sup>1</sup> Cash consideration is prior to \$50mm additional roll-over contribution by CDM and before transaction costs incurred by Hostess.

<sup>2</sup> Post-transaction share count includes 37.5mm Gores Holdings public shares, 5.3mm Gores Holdings Founder shares, 46.6mm rollover shares issued to sellers, 32.7mm shares issued to additional PIPE investors (including 5.4mm to Gores), and 7.9mm shares issued to CDM (including his additional roll-over contribution).



# HOSTESS NON-GAAP RECONCILIATIONS (UNAUDITED)

| (\$ in millions)  | Twelve Months Ended 30-Sep-16 | Nine Months Ended 30-Sep-16 | Three Months Ended 30-Sep-16 | Twelve Months Ended 31-Dec-15 | Nine Months Ended 30-Sep-15 | Three Months Ended 30-Sep-15 | Twelve Months Ended 31-Dec-14 |
|---|-------------------------------|-----------------------------|------------------------------|-------------------------------|-----------------------------|------------------------------|-------------------------------|
| Net income (loss)   | \$98.7                        | \$81.5                      | \$33.5                       | \$88.8                        | \$71.6                      | (\$4.1)                      | \$81.5                        |
| Plus non-GAAP adjustments:  |                               |                             |                              |                               |                             |                              |                               |
| Interest expense, net   | 71.9                          | 53.8                        | 18.0                         | 50.0                          | 31.8                        | 32.3                         | 37.4                          |
| Loss on debt extinguishment <sup>(1)</sup>  | –                             | –                           | –                            | 25.9                          | 25.9                        | –                            | –                             |
| Depreciation and amortization   | 11.7                          | 9.1                         | 3.4                          | 9.8                           | 7.2                         | 2.6                          | 7.1                           |
| Unit-based compensation   | 0.8                           | 0.7                         | 0.3                          | 1.4                           | 1.3                         | 0.9                          | 0.4                           |
| Other (income) expense <sup>(2)</sup>   | 9.4                           | 9.4                         | 0.2                          | (8.7)                         | (4.8)                       | 7.3                          | 0.6                           |
| Impairment of property and equipment  | 11.2                          | 7.5                         | 0.2                          | 2.7                           | 1.9                         | 1.5                          | 13.2                          |
| Loss on sale/abandonment of property and equipment and bakery shutdown costs <sup>(3)</sup>                             | 0.4                           | 0.3                         | 0.0                          | 4.2                           | 1.0                         | 0.2                          | 5.2                           |
| Special employee incentive compensation <sup>(4)</sup>  | –                             | –                           | –                            | 3.9                           | –                           | –                            | –                             |
| Distributions for Cash taxes and tax sharing and income tax provision   | 0.3                           | 0.3                         | 0.0                          | –                             | –                           | –                            | –                             |
| <b>Adjusted EBITDA<sup>(5)</sup></b>  | <b>\$204.5</b>                | <b>\$162.4</b>              | <b>\$55.6</b>                | <b>\$177.9</b>                | <b>\$135.9</b>              | <b>\$40.7</b>                | <b>\$145.3</b>                |
| Superior Adjusted EBITDA <sup>(6)(7)</sup>  | 3.0                           | 2.0                         | –                            | 4.2                           | 3.3                         | 0.9                          | 2.1                           |
| <b>Adjusted EBITDA (incl. Superior)</b>   | <b>\$207.4</b>                | <b>\$164.5</b>              | <b>\$55.6</b>                | <b>\$182.2</b>                | <b>\$139.2</b>              | <b>\$41.6</b>                | <b>\$147.5</b>                |
| <b>Revenue (incl. Superior)</b>   | <b>\$717.9</b>                | <b>\$562.5</b>              | <b>\$196.2</b>               | <b>\$653.7</b>                | <b>\$498.3</b>              | <b>\$166.2</b>               | <b>\$582.2</b>                |
| <b>EBITDA Margin (Adjusted EBITDA divided by Revenue)</b>   | <b>28.9%</b>                  | <b>29.2%</b>                | <b>28.4%</b>                 | <b>27.9%</b>                  | <b>27.9%</b>                | <b>25.1%</b>                 | <b>25.3%</b>                  |
| <b>Capital Expenditures (incl. Superior)</b>  | <b>\$29.4</b>                 | <b>\$26.0</b>               | <b>\$11.0</b>                | <b>\$27.7</b>                 | <b>\$24.3</b>               | <b>\$6.9</b>                 | <b>\$55.1</b>                 |
| <b>FCF Conversion (Adjusted EBITDA incl. Superior – Capital Expenditures divided by Adjusted EBITDA incl. Superior)</b> | <b>85.8%</b>                  | <b>84.2%</b>                | <b>80.2%</b>                 | <b>84.8%</b>                  | <b>82.5%</b>                | <b>83.3%</b>                 | <b>62.6%</b>                  |

- (1) For the nine months ended September 30, 2015, Hostess Holdings recorded a loss on a partial extinguishment of Hostess Holdings' original Term Loan of \$25.9 million, which consisted of prepayment penalties of \$9.9 million and write-off of deferred financing costs of \$16.0 million. For the year ended December 31, 2015, Hostess Holdings recorded a loss on extinguishment related to Hostess Holdings' original Term Loan of \$25.9 million, which consisted of prepayment penalties of \$9.9 million and write-off of deferred financing costs of \$16.0 million.
- (2) For the nine months ended September 30, 2016, other expense of \$9.4 million primarily consisted of legal and professional fees related to Hostess Holdings' business combination agreement with Gores Holdings, Inc., transaction costs attributable to the acquisition of Superior, and the pursuit of a potential acquisition that has since been abandoned. Other income for the nine months ended September 30, 2015, primarily consisted of \$12.0 million of proceeds from the sale of foreign trademark rights and perpetual irrevocable licenses to certain "know how" in certain countries in the Middle East. For the year ended December 31, 2015, other income consisted of \$12.0 million of proceeds from the sale of foreign trademark rights and perpetual irrevocable licenses to certain "know how" in certain countries in the Middle East, partially offset by \$3.3 million for professional service fees related to Hostess Holdings' pursuit of a potential sale of Hostess. For the year ended December 31, 2014 and the period February 6, 2013 (inception) through December 31, 2013, other expense was \$0.6 million and \$1.2 million, respectively.
- (3) For the nine months ended September 30, 2016, Hostess Holdings incurred a loss on sale/abandonment of property and equipment and bakery shutdown costs of \$0.4 million, primarily due to utilities, insurance, taxes and maintenance expenses related to the Schiller Park, Illinois bakery. For the nine months ended September 30, 2015, Hostess Holdings incurred bakery shutdown costs of \$1.0 million associated with the closure and relocation of assets. For the years ended December 31, 2015 and December 31, 2014, Hostess Holdings incurred bakery shutdown costs associated with the closure and relocation of assets of \$1.2 million and \$1.4 million, respectively. Also, for the year ended December 31, 2014, Hostess Holdings incurred bakery shutdown costs associated with employee severance and Worker Adjustment and Retraining Notification (WARN) Act payments of \$2.9 million. Hostess Holdings recorded a loss on sale and abandonment of property and equipment of \$3.0 million and \$0.8 million for the years ended December 31, 2015 and December 31, 2014, respectively.
- (4) For the year ended December 31, 2015, a one-time special bonus payment of \$2.6 million and \$1.3 million was paid to employees at Hostess Holdings' bakery facilities and corporate employees, respectively, as compensation for their efforts in the successful recapitalization of Hostess.
- (5) Adjusted EBITDA is as presented in public filings with SEC, unlike in prior presentations, CDM's compensation is not added back.
- (6) Hostess YTD '16 financials include the performance of Superior from May 10, 2016 through September 30, 2016 (correspondingly excluded from Superior results).
- (7) Superior YTD '16 financials include the performance of Superior from January 1, 2016 through May 9, 2016.



# GLOSSARY

| Term    | Definition                  |
|---------|-----------------------------|
| ACV     | All-commodity volume (%)    |
| BFY     | Better-for-you              |
| C-store | Convenience store           |
| ISB     | In-store bakery             |
| LTO     | Limited time offer          |
| PHO     | Partially hydrogenated oils |
| SBG     | Sweet baked goods           |
| SKU     | Stock keeping unit          |