


NEWS & EVENTS

Press Release

 [View printer-friendly version](#)

[<< Back](#)

Hostess Brands, Inc. Announces Strong Second Quarter 2021 Financial Results

08/04/21

Double-Digit Net Revenue Growth Driven by over 200 basis points of Market Share Expansion

Raises Full-Year 2021 Net Revenue and Earnings Guidance

LENEXA, Kan.--(BUSINESS WIRE)--Aug. 4, 2021-- Hostess Brands, Inc. (NASDAQ: TWNK, TWNKW) (the “Company”) today reported its financial results for the three and six months ended June 30, 2021.

“We had another excellent quarter marked by double-digit net revenue growth as our investments for growth are paying off. Our top-line remains strong while lapping the Voortman pipeline fill from 2020. Our category-leading point-of-sale growth and market share gains within the breakfast, all-day snacking and cookies consumer segments are driven by robust new product innovation and strong execution as we leverage our broad-based distribution strength across channels,” commented Andy Callahan, the Company’s President and Chief Executive Officer.

He continued, “Our outstanding results and the ongoing growth momentum in both at-home and on-the-go snacking occasions makes us optimistic for the balance of the year, enabling us to raise our full year financial outlook and delever to 3x by the end of the year. With our price realization, other revenue management activities and additional productivity initiatives we are well positioned to offset rising inflation. We are confident in our ability to continue to manage second half margins while building on our solid foundation for future growth through investments in capabilities, advertising and marketing to drive shareholder value.”

Second Quarter 2021 Financial Highlights¹

- Net revenue of \$291.5 million increased 13.8%. Adjusted net revenue was \$291.5 million, an increase of 10.8% from the same period last year, reflecting strong Hostess® branded products performance in the convenience, grocery, and dollar channels.
- Gross profit was \$105.1 million, an increase of 17.6%. On an adjusted basis, gross profit increased 7.3% overcoming rising inflation and a difficult year on year comparison as we lapped the Voortman pipeline fill.
- Net income was \$29.8 million or \$0.21 per diluted share. Adjusted net income increased 10.3% to \$32.2 million and adjusted EPS of \$0.23 compared to \$0.22 in the prior year period.
- Adjusted EBITDA increased 5.1% to \$68.4 million, or 23.5% of adjusted net revenue. The increase was driven primarily by higher Hostess® branded sales, favorable product mix and operating efficiencies more than offsetting inflation and investments made for future growth.
- Cash and cash equivalents were \$218.8 million as of June 30, 2021. Net leverage ratio declined to 3.4x driven by improved operating cash flow.
- Raising full year 2021 guidance for revenue growth to 7.5% - 9.0% and adjusted EBITDA to \$260 million - \$268 million.

Other Highlights

- Hostess manufacturer point-of-sale ("POS") increased 11.4% and its share of the Sweet Baked Goods category increased by 207 basis points to 21.8%.
- Hostess® branded POS grew 12.4% driven by solid core performance and strong contribution from our new product innovation, including great consumer response to our new Baby Bundt products.
- Voortman® branded POS grew 23.7% reflecting robust consumer demand and execution of the Company's growth initiatives.
- Executed pricing initiatives with realization to begin in the second half of year.
- Launched new "Live Your Mostess"® national advertising campaign in June 2021 across multiple retail and consumer digital platforms.
- Published first Hostess Brands Corporate Responsibility report in June 2021 demonstrating our commitment to enhancing transparency into our ongoing ESG initiatives.
- Advanced the installation of new cake line investment to expand our capacity with ramp up expected in the second half of 2021.
- Company repurchased approximately 1.5 million shares for \$25 million under its previously authorized \$100 million share repurchase authorization.

¹This press release contains certain non-GAAP financial measures, including adjusted net revenue, adjusted gross profit, adjusted gross margin, adjusted operating income, adjusted EBITDA, adjusted net income, adjusted net income attributed to Class A stockholders and adjusted earnings per share ("EPS"). Please refer to the schedules in the press release for reconciliations of non-GAAP financial measures to the comparable GAAP measure. Unless otherwise stated, all comparisons of financial measures in this press release are to the second quarter of 2020. All measures of market performance contained in this press release, including point of sale and market share include all Company branded products within the SBG category as reported by Nielsen but do not include other products sold outside of the SBG category. All market data in this press release refer to the thirteen week period ended July 3, 2021 and reflects a scheduled one-week shift in current and prior-year reporting periods performed by Nielsen in April 2021 to better coincide with calendar periods. The Company's leverage ratio is net debt (total long-term debt less cash) divided by the trailing twelve months adjusted EBITDA.

Guidance and Outlook

The Company is raising its full year 2021 guidance as follows:

| | Updated Guidance | Initial Guidance |
|-----------------------------|-----------------------|-----------------------|
| Adjusted net revenue growth | 7.5% - 9.0% | 3.0% - 4.5% |
| Adjusted EBITDA | \$260 - \$268 million | \$255 - \$265 million |
| Adjusted EPS (diluted) | \$0.83 - \$0.87* | \$0.80 - \$0.85 |
| Leverage ratio | ~3x | ~3x |
| Capital expenditures | \$60 - \$65 million | \$60 - \$65 million |
| Effective tax rate | 27.5% | 27.0% |

*Based on weighted average shares outstanding of 139 million, which includes approximately 8 million shares of dilution due to the warrants.

The Company provides guidance only on a non-generally accepted accounting principles (non-GAAP) basis and does not provide a reconciliation of the Company's 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 this press release for further information about the use of these measures.

Second Quarter 2021 Compared to Second Quarter 2020¹

Net revenue was \$291.5 million, an increase of 13.8%, or \$35.3 million, compared to \$256.2 million. Adjusted net revenue was \$291.5 million, an increase of 10.8%, compared to \$263.0 million in the prior year period. Adjusted net revenue growth was primarily driven by sweet baked goods net revenue, which increased \$29.9 million or 12.9%. This growth was driven by double-digit POS growth in grocery, dollar and convenience channels with continued momentum of single-serve products and innovation. Voortman adjusted net revenue of \$29.0 million was down \$1.4 million or 4.6% due to lapping of last year's inventory pipeline fill to support Voortman's transition to the warehouse distribution model. Voortman POS trends remained strong with 23.7% growth in the quarter.

Gross profit was \$105.1 million, or 36.1% of net revenue compared to 34.9% in the same period last year. Adjusted gross profit margin of 36.1% declined from 37.3% in the same period last year as the year-ago period benefited from a temporary margin lift due to Voortman's pipeline fill. Adjusted gross profit increased 7.3% as higher volumes, favorable product mix and productivity initiatives offset commodity, labor and transportation costs inflation.

Operating income was \$53.1 million. Adjusted operating income of \$54.2 million increased 10.6% from the same period last year as higher gross profit was partially offset by higher general and administrative investments as well as advertising and marketing spending to support top-line growth.

Adjusted EBITDA of \$68.4 million, or 23.5% of adjusted net revenue, increased 5.1% from the same period last year driven by strong Hostess® branded volume and favorable product mix. Depreciation and amortization expense declined \$1.2 million to \$12.5 million and share-based compensation expense declined \$0.8 million to \$1.6 million in the quarter.

The Company's effective tax rate was 28.2% compared to 84.8% in the prior year, which reflected a non-taxable \$16.4 million change in fair value of warrant liabilities and the benefit from non-controlling interest in the prior year period. The effective tax rate, excluding discrete items was 27.3% in the current quarter.

Net income was \$29.8 million compared to \$1.0 million. Adjusted net income of \$32.2 million increased 10.3% from the same period last year. GAAP diluted EPS was \$0.21. Adjusted EPS was \$0.23 compared to \$0.22 in the prior year period as higher income was partially offset by higher share dilution from the warrants.

Cash from operations for the six months ended June 30, 2021 was \$87.3 million compared to \$60.7 million for the same period last year. Operating cash flow benefited from current year improvement in profitability as well as lapping prior-year costs related to the integration and conversion of Voortman's operations, partially offset by an increase in working capital.

¹This press release contains certain non-GAAP financial measures, including adjusted net revenue, adjusted gross profit, adjusted gross margin, adjusted operating income, adjusted EBITDA, adjusted net income and adjusted earnings per share ("EPS"). Please refer to the schedules in the press release for reconciliations of non-GAAP financial measures to the comparable GAAP measure. Unless otherwise stated, all comparisons of financial measures in this press release are to the second quarter of 2020.

Conference Call and Webcast

The Company will host a conference call and webcast with an accompanying presentation today, August 4, 2021 at 4:30 p.m. EDT to discuss the results for the second quarter. Investors interested in participating in the live call can dial 877-413-2411 from the U.S. and 201-389-0882 internationally. A telephone replay will be available approximately two hours after the call concludes through Wednesday, August 18, 2021, by dialing 844-512-2921 from the U.S., or 412-317-6671 from international locations, and entering confirmation code 13717991. The simultaneous, live webcast and presentation will be available on the Investor Relations section of the Company's website at www.hostessbrands.com. The webcast will be archived for 30 days.

About Hostess Brands, Inc.

Hostess Brands, Inc. is a leading packaged food company focused on developing, manufacturing, marketing, selling and distributing snacks in North America sold under the Hostess®, Dolly Madison®, Cloverhill®, Big Texas®, and Voortman® brands. The Hostess® brand's history dates back to 1919, when the Hostess® CupCake was introduced to the public, followed by Twinkies® in 1930. Today, the Company produces a variety of new and classic treats in addition to Twinkies® and CupCakes, including Donettes®, Ding Dongs®, Zingers®, Danishes, Honey Buns and Coffee Cakes. In January 2020, the Company acquired Voortman Cookies Limited which produces a variety of cookies and wafers products, including sugar-free products under the Voortman® brand. For more information about Hostess® products and Hostess Brands, please visit hostesscakes.com. Follow Hostess on Twitter: @Hostess_Snacks; on Facebook: facebook.com/Hostess; on Instagram: Hostess_Snacks; and on Pinterest: pinterest.com/hostesscakes.

Forward-Looking Statements

This press release contains statements reflecting the Company's views about its future performance that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, 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 the Company's future operating performance and statements addressing events and developments that the Company expects or anticipates will occur are also considered as forward-looking statements. All forward-looking statements included herein are made only as of the date hereof. The Company 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 the Company's reputation and brand image; protecting intellectual property rights; leveraging the Company's 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; the continued ability to produce and successfully market products with extended shelf life; the ability to pass cost increases on to our customers; the ability to maintain or add additional shelf or retail space for the Company's products; our 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 drive revenue growth in key products or add products that are faster-growing and more profitable; adverse impact or disruption to our business caused by COVID-19 or future outbreaks of highly infectious or contagious diseases; volatility in commodity, energy, and other input prices and the ability to adjust pricing to cover increased costs; significant changes in the availability and pricing of transportation; dependence on major customers; increased labor and employee related costs; strikes or work stoppages; product liability claims, product recalls, or regulatory enforcement actions; dependence on third parties for significant services; unanticipated business disruptions; 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.

As a result of a number of known and unknown risks and uncertainties, the Company's actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Risks and uncertainties are identified and discussed in Item 1A-Risk Factors in the Company's Annual Report on Form 10-K/A for 2020 and its Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 to be filed today. All subsequent written or oral forward-looking statements attributable to us or persons acting on the Company's behalf are expressly qualified in their entirety by these risk factors. The Company undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

CONSOLIDATED BALANCE SHEETS

(Unaudited, amounts in thousands, except shares and per share data)

| | December | |
|----------------------------------|-------------|-------------|
| | June 30, | 31, |
| | 2021 | 2020 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 218,807 | \$ 173,034 |
| Accounts receivable, net | 148,726 | 125,550 |
| Inventories | 52,164 | 49,348 |
| Prepays and other current assets | 13,150 | 21,614 |
| Total current assets | 432,847 | 369,546 |
| Property and equipment, net | 311,535 | 303,959 |
| Intangible assets, net | 1,956,147 | 1,967,903 |
| Goodwill | 706,615 | 706,615 |
| Other assets, net | 17,976 | 17,446 |
| Total assets | \$3,425,120 | \$3,365,469 |

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

| | | |
|--|-----------|-----------|
| Long-term debt and lease obligations payable within one year | \$ 14,103 | \$ 13,811 |
| Tax receivable agreement payments payable within one year | 10,000 | 11,800 |
| Accounts payable | 67,751 | 61,428 |
| Customer trade allowances | 47,620 | 46,779 |
| Warrant liabilities | 1,316 | 861 |
| Accrued expenses and other current liabilities | 44,514 | 55,715 |
| Total current liabilities | 185,304 | 190,394 |
| Long-term debt and lease obligations | 1,107,021 | 1,113,037 |
| Tax receivable agreement obligations | 137,274 | 144,744 |
| Deferred tax liability | 310,992 | 295,009 |

| | | |
|---|-------------|-------------|
| Other long-term liabilities | 1,585 | 1,560 |
| Total liabilities | 1,742,176 | 1,744,744 |
| Class A common stock, \$0.0001 par value, 200,000,000 shares authorized, 130,459,939 and 130,347,464 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively | 13 | 13 |
| Additional paid in capital | 1,297,670 | 1,281,018 |
| Accumulated other comprehensive loss | (4,728) | (10,407) |
| Retained earnings | 412,680 | 356,101 |
| Treasury stock | (22,691) | (6,000) |
| Stockholders' equity | 1,682,944 | 1,620,725 |
| Total liabilities and stockholders' equity | \$3,425,120 | \$3,365,469 |

HOSTESS BRANDS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, amounts in thousands, except shares and per share data)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|------------|------------------|------------|
| | June 30, | June 30, | June 30, | June 30, |
| | 2021 | 2020 | 2021 | 2020 |
| Net revenue | \$ 291,485 | \$ 256,226 | \$ 556,906 | \$ 499,711 |
| Cost of goods sold | 186,379 | 166,852 | 356,281 | 331,000 |
| Gross profit | 105,106 | 89,374 | 200,625 | 168,711 |
| Operating costs and expenses: | | | | |
| Advertising and marketing | 13,144 | 11,158 | 24,925 | 21,221 |
| Selling expense | 9,454 | 12,378 | 18,084 | 30,498 |
| General and administrative | 23,504 | 24,153 | 45,689 | 49,348 |
| Amortization of customer relationships | 5,878 | 7,110 | 11,756 | 13,594 |
| Business combination transaction costs | — | — | — | 4,282 |
| Other operating expense | — | — | — | 27 |

| | | | | |
|---|-----------|----------|-----------|-----------|
| Total operating costs and expenses | 51,980 | 54,799 | 100,454 | 118,970 |
| Operating income | 53,126 | 34,575 | 100,171 | 49,741 |
| Other expense (income): | | | | |
| Interest expense, net | 9,954 | 10,580 | 19,971 | 22,305 |
| Change in fair value of warrant liabilities | 531 | 16,382 | 455 | (62,718) |
| Other expense | 1,067 | 1,132 | 1,430 | 1,685 |
| Total other expense (income) | 11,552 | 28,094 | 21,856 | (38,728) |
| Income before income taxes | 41,574 | 6,481 | 78,315 | 88,469 |
| Income tax expense | 11,727 | 5,493 | 21,736 | 5,741 |
| Net income | 29,847 | 988 | 56,579 | 82,728 |
| Less: Net income attributable to the non-controlling interest | — | 1,200 | — | 1,492 |
| Net income (loss) attributable to Class A stockholders | \$ 29,847 | \$ (212) | \$ 56,579 | \$ 81,236 |

Earnings per Class A share:

| | | | | |
|---------|---------|------|---------|---------|
| Basic | \$ 0.23 | \$ — | \$ 0.43 | \$ 0.66 |
| Diluted | \$ 0.21 | \$ — | \$ 0.41 | \$ 0.15 |

Weighted-average shares outstanding:

| | | | | |
|---------|-------------|-------------|-------------|-------------|
| Basic | 131,354,059 | 123,638,723 | 131,096,686 | 123,381,190 |
| Diluted | 138,925,489 | 123,818,404 | 138,026,854 | 125,312,658 |

HOSTESS BRANDS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, amounts in thousands)

| | Six Months Ended | |
|--|------------------|----------|
| | June 30, | June 30, |
| | 2021 | 2020 |

Operating activities

| | | |
|------------|-----------|-----------|
| Net income | \$ 56,579 | \$ 82,728 |
|------------|-----------|-----------|

| | | |
|---|----------|----------|
| Depreciation and amortization | 25,223 | 26,477 |
| Debt discount amortization | 621 | 664 |
| Change in fair value of warrant liabilities | 455 | (62,718) |
| Unrealized foreign exchange losses | 73 | 996 |
| Non-cash lease expense | 659 | 641 |
| Share-based compensation | 4,363 | 4,503 |
| Deferred taxes | 13,932 | 3,973 |
| Loss on sale of assets | — | 128 |
| Change in operating assets and liabilities, net of acquisitions and dispositions: | | |
| Accounts receivable | (23,194) | (11,320) |
| Inventories | (2,816) | 4,135 |
| Prepays and other current assets | 8,844 | (1,091) |
| Accounts payable and accrued expenses | 1,735 | 3,323 |
| Customer trade allowances | 827 | 8,242 |
| Net cash provided by operating activities | 87,301 | 60,681 |

Investing activities

| | | |
|--|----------|-----------|
| Purchases of property and equipment | (20,051) | (23,376) |
| Acquisition of business, net of cash acquired | — | (318,427) |
| Acquisition and development of software assets | (2,129) | (3,402) |
| Net cash used in investing activities | (22,180) | (345,205) |

Financing activities

| | | |
|--|----------|---------|
| Repayments of long-term debt and lease obligations | (5,584) | (5,584) |
| Proceeds from long-term debt origination, net of fees paid | — | 136,888 |
| Distributions to non-controlling interest | — | (1,977) |
| Repurchase of common stock | (16,691) | — |
| Tax payments related to issuance of shares to employees | (1,235) | (1,036) |
| Cash received from exercise of options and warrants | 13,524 | 563 |
| Payments on tax receivable agreement | (9,270) | (1,279) |

| | | |
|--|-------------------|-------------------|
| Net cash provided by (used in) financing activities | (19,256) | 127,575 |
| Effect of exchange rate changes on cash and cash equivalents | (92) | (359) |
| Net increase (decrease) in cash and cash equivalents | 45,773 | (157,308) |
| Cash and cash equivalents at beginning of period | 173,034 | 285,087 |
| Cash and cash equivalents at end of period | \$ 218,807 | \$ 127,779 |

Supplemental Disclosures of Cash Flow Information:

Cash paid during the period for:

| | | |
|--------------------|------------|-----------|
| Interest | \$ 19,451 | \$ 21,885 |
| Net taxes refunded | \$ (1,506) | \$ (577) |

Supplemental disclosure of non-cash investing:

| | | |
|------------------------------|----------|----------|
| Accrued capital expenditures | \$ 5,046 | \$ 1,542 |
|------------------------------|----------|----------|

HOSTESS BRANDS, INC.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

Adjusted net revenue, adjusted gross profit, adjusted gross profit margin, adjusted operating income, adjusted net income, adjusted Class A net income, adjusted EBITDA, 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 or earnings per share as indicators of operating performance (as determined in accordance with GAAP). These Non-GAAP Financial Measures may not be comparable to similarly titled measures reported by other companies. The Company has included these Non-GAAP Financial Measures because it believes the measures provide management and investors with additional information to measure the Company's performance, estimate the Company's value and evaluate the Company's ability to service debt.

Non-GAAP Financial Measures are adjusted to exclude certain items that affect comparability. The adjustments are itemized in the tables below. You are encouraged to evaluate these adjustments and the reason the Company considers them appropriate for supplemental analysis. In evaluating adjustments, you should be aware that in the future the Company may incur expenses that are the

same as or similar to some of the adjustments set forth below. The presentation of Non-GAAP Financial Measures should not be construed as an inference that future results will be unaffected by unusual or recurring items.

The Company defines adjusted EBITDA as net income adjusted to exclude (i) interest expense, net, (ii) depreciation and amortization (iii) income taxes and (iv) share-based compensation, as further adjusted to eliminate the impact of certain items that the Company does not consider indicative of its ongoing operating performance. Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for analysis of the Company's results as reported under GAAP. For example, adjusted EBITDA:

- does not reflect the Company's capital expenditures, future requirements for capital expenditures or contractual commitments;
- does not reflect changes in, or cash requirements for, the Company's working capital needs;
- does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Company's debt; and
- does not reflect payments related to income taxes, the Tax Receivable Agreement or distributions to the non-controlling interest to reimburse its tax liability.

HOSTESS BRANDS, INC.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(Unaudited, amounts in thousands, except per share data)

| | Three Months Ended June 30, 2021 | | | |
|---|----------------------------------|-----------|------------|-------------|
| | Operating | | | |
| | Gross Profit | Income | Net Income | Diluted EPS |
| GAAP Results | \$ 105,106 | \$ 53,126 | \$ 29,847 | \$ 0.21 |
| Non-GAAP adjustments: | | | | |
| Foreign currency impacts | — | — | (52) | — |
| Change in fair value of warrant liabilities | — | — | 531 | — |
| Other (1) | 158 | 1,066 | 2,184 | 0.02 |
| Tax impact of adjustments | — | — | (329) | — |
| Adjusted Non-GAAP results | \$ 105,264 | \$ 54,192 | 32,181 | \$ 0.23 |

| | |
|-------------------------------|------------------|
| Interest expense | 9,954 |
| Depreciation and amortization | 12,532 |
| Share-based compensation | 1,640 |
| Adjusted EBITDA | <u>\$ 68,363</u> |

(1) Primarily professional service fees related to certain corporate initiatives, of which \$0.2 million is included in cost of goods sold, \$0.9 million is included in general and administrative expenses and \$1.1 million is included in other non-operating expenses.

| Three Months Ended June 30, 2020 | | | | | | | |
|----------------------------------|------------------|-----------------|---------------------|---------------|-----------------|-------------------|----------------|
| | Class A | | | | | | |
| | Net Revenue | Gross Profit | Operating Income | Net Income | Net Income | Diluted Shares | Diluted EPS |
| GAAP Results | \$256,226 | \$89,374 | \$ 34,575 | \$ 988 | \$ (212) | 123,818 | \$ — |
| Non-GAAP adjustments: | | | | | | | |
| Foreign Currency | | | | | | | |
| impacts | — | — | — | 710 | 676 | — | 0.01 |
| Acquisition, disposal | | | | | | | |
| and integration | | | | | | | |
| related costs (1) | 6,821 | 6,943 | 12,360 | 12,360 | 11,767 | — | 0.09 |
| COVID-19 costs (2) | — | 1,831 | 2,138 | 2,138 | 2,035 | — | 0.02 |
| Change in fair value of | | | | | | | |
| warrant liabilities | | — | — | 16,382 | 16,382 | 758 | 0.13 |
| Other | — | — | (46) | 381 | 363 | — | — |
| Tax impact of | | | | | | | |
| adjustments | — | — | — | (3,722) | (3,543) | — | (0.03) |
| Adjusted Non-GAAP results | <u>\$263,047</u> | <u>\$98,148</u> | <u>\$ 49,027</u> | <u>29,237</u> | <u>\$27,468</u> | <u>124,576</u> | <u>\$ 0.22</u> |

| | |
|------------------|--------|
| Income tax | 9,215 |
| Interest expense | 10,580 |
| Depreciation and | |
| amortization | 13,656 |

| | |
|--------------------------|-----------------|
| Share-based compensation | 2,425 |
| Adjusted EBITDA | <u>\$65,113</u> |

(1) Acquisition, disposal and integration related operating costs include \$1.6 million of selling expense and \$3.9 million of general and administrative expenses on the consolidated statement of operations.

(2) COVID-19 operating costs are included in general and administrative expenses 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.

| Six Months Ended June 30, 2021 | | | | |
|---|-------------------|-------------------|---------------|----------------|
| Operating | | | | |
| | Gross Profit | Income | Net Income | Diluted EPS |
| GAAP Results | \$ 200,625 | \$ 100,171 | \$ 56,579 | \$ 0.41 |
| Non-GAAP adjustments: | | | | |
| Foreign currency impacts | — | — | 71 | — |
| Change in fair value of warrant liabilities | — | — | 455 | — |
| Other (1) | 158 | 1,066 | 2,422 | 0.02 |
| Tax impact of adjustments | — | — | (428) | — |
| Adjusted Non-GAAP results | <u>\$ 200,783</u> | <u>\$ 101,237</u> | <u>59,099</u> | <u>\$ 0.43</u> |

| | |
|-------------------------------|-------------------|
| Income tax | 22,164 |
| Interest expense | 19,970 |
| Depreciation and amortization | 25,223 |
| Share-based compensation | 4,363 |
| Adjusted EBITDA | <u>\$ 130,819</u> |

(1) Primarily professional service fees related to certain corporate initiatives, of which \$0.2 million is included in cost of goods sold, \$0.9 million is included in general and administrative expenses and \$1.3 million is included in other non-operating expenses.

Six Months Ended June 30, 2020

| | Class A | | | | | |
|---|------------------|------------------|------------------|------------------|-----------------|----------------|
| | Net | Gross | Operating | Net | Net | Diluted |
| | Revenue | Profit | Income | Income | Income | EPS |
| GAAP Results | \$499,711 | \$168,711 | \$ 49,741 | \$ 82,728 | \$81,236 | \$ 0.15 |
| Non-GAAP adjustments: | | | | | | |
| Foreign currency impacts | — | — | — | 996 | 946 | 0.01 |
| Acquisition, disposal and integration related costs (1) | 6,821 | 7,963 | 27,446 | 27,301 | 25,856 | 0.21 |
| Facility transition costs | — | 3,681 | 5,711 | 5,711 | 5,385 | 0.04 |
| COVID-19 Costs (2) | — | 2,082 | 2,388 | 2,388 | 2,271 | 0.02 |
| Other | — | — | (20) | 674 | 655 | — |
| Change in fair-value of warrant liabilities | — | — | — | (62,718) | (62,718) | — |
| Tax impact of adjustments | — | — | — | (9,236) | (9,057) | (0.07) |
| Adjusted Non-GAAP results | <u>\$506,532</u> | <u>\$182,437</u> | <u>\$ 85,266</u> | <u>47,844</u> | <u>\$44,574</u> | <u>\$ 0.36</u> |
| Income tax | | | | 14,977 | | |
| Interest expense | | | | 22,305 | | |
| Depreciation and amortization | | | | 26,477 | | |
| Share-based compensation | | | | 4,502 | | |
| Adjusted EBITDA | | | | <u>\$116,105</u> | | |

(1) Acquisition, disposal and integration operating costs include \$8.0 million of selling expense, \$7.2 million of general and administrative expenses and \$4.3 million of business combination transaction costs on the consolidated statement of operations.

(2) COVID-19 operating costs are included in general and administrative expenses 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.

View source version on [businesswire.com](https://www.businesswire.com):

<https://www.businesswire.com/news/home/20210804006062/en/>

Investors, please contact:

Chris Mandeville and Anna Kate Heller

ICR

203-682-8304

Chris.Mandeville@icrinc.com and AnnaKate.Heller@icrinc.com

Media, please contact:

The LAKPR Group

Hannah Arnold

harnold@lakpr.com

or

Marie Espinel

mespinel@lakpr.com

Source: Hostess Brands, Inc.