

BRINGING BACK AMERICA'S SNACK.

HOSTESS BRANDS, INC.

SITUATION: NUMEROUS CHALLENGES FORCE THE ICONIC HOSTESS BRANDS, MAKER OF TWINKIES AND WONDER BREAD, INTO BANKRUPTCY.

After emerging from bankruptcy in 2009, Hostess continued to struggle with a wide range of challenges. Against the backdrop of industry overcapacity, adverse consumer trends in white bread and snack cakes, rising commodity prices, unsustainable debt load and legacy labor and pension funding costs, Hostess burned through nearly \$250 million in cash in just three years. Eventually, the company re-entered bankruptcy in January 2012 and later petitioned a federal bankruptcy court for permission to close its operations in November 2012 following an extended nationwide strike.

“ The FTI Consulting team exhibited dedication, expertise and technical know-how throughout the restructuring process at Hostess Brands. Whether it was assuming and quickly adapting to interim management roles or rolling up their sleeves with the management team on the Turnaround Plan, FTI Consulting's involvement with Hostess contributed to the efficient and timely wind-down and the successful asset sale process. Few project teams have the analytical depth, strategic insight and sound business judgment that the FTI Consulting team showcased on this engagement. ”

RICHARD SEBAN

Former Chief Operating Officer,
Hostess Brands, Inc.



RECOGNITION

FTI Consulting was named the Distressed M&A Deal of the Year (Over \$1 Billion) at the 8th Annual M&A Advisor Turnaround Awards in 2014

FTI Consulting's work on Hostess was honored by the *D CEO* 2014 Mergers and Acquisition Awards for Large Deal of the Year

FTI Consulting was a finalist for the Association of Management Consulting Firms' 2014 Spotlight Award for Operational Performance

FTI Consulting's Hostess engagement was awarded Private Equity Turnaround of the Year (Large Markets) in 2014 by the Global M&A Network's Turnaround Atlas Awards

FTI CONSULTING ROLE: BREATHING NEW LIFE INTO AMERICA'S MOST FAMOUS SNACK

FTI Consulting was engaged to provide interim management support and assist with the development and assessment of a turnaround plan to allow Hostess to overcome financial and operational challenges. The turnaround plan included cost-saving, revenue generation and restructuring measures to maximize profitability and resolve operational inefficiencies.

The FTI Consulting team worked closely with Hostess' management team, operations-level employees and other advisors to review the underlying operating and financial assumptions of the turnaround plan; discuss its associated execution risks and analyze its financial implications.

Union opposition to the turnaround plan and the ensuing employee strikes resulted in 36 production facilities and over 1,100 company locations across 48 states being shuttered. Hostess could no longer fill customer orders or sell product at its retail stores; this cut off its access to the funding needed to operate the business. To capture the brand's significant value, Hostess, FTI Consulting and other advisors opted to auction the company in pieces.

OUTCOME: GETTING SNACK CAKES TO SELL LIKE HOT CAKES. AGAIN.

FTI Consulting and Hostess' other advisors focused their efforts on developing a sales process, which included auctioning separate collections of brands and assets. This created opportunities for many different buyers to enter the process.

The various auctions raised nearly \$1 billion, a value that was more than twice the highest bid that Hostess had received before re-entering bankruptcy. Actual dollar recoveries to pre-bankruptcy lenders were in excess of two times original expectations. Certain plant locations re-opened within 30 days under new ownership, and the majority of the iconic cake and bread brands returned to the shelves within a few months.



ABOUT FTI CONSULTING

FTI Consulting, Inc. is a global business advisory firm dedicated to helping organizations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. FTI Consulting professionals, who are located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management and restructuring. More information can be found at www.fticonsulting.com.

CONTACTS

Bob Medlin
Senior Managing Director
Corporate Finance/
Restructuring
+214.397.1605
bob.medlin@fticonsulting.com

David Rush
Senior Managing Director
Corporate Finance/
Restructuring
+832.667.5160
david.rush@fticonsulting.com

Chuck Carroll
Senior Managing Director
Corporate Finance/
Restructuring
+214.397.1603
charles.carroll@fticonsulting.com