ALPHACHALHLEMEN

November 29th, 2023
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## Investment Summary

## ALPHACHALLENGE

## Investment Recommendation:

$>$ Buy Post Holdings, Inc. - POST 5.5\% 2029 Senior Unsecured Notes (B+/B1) trading at \$88.8 $7.3 \%$ yield to worst and $\sim 302$ bps spread (as of 10/31/2023)
$>$ Target spread: 220bps, and base-case target total return: ~12.9\% p.a.

- Macro: Price of core inputs (i.e., corn and wheat) are trending lower after a period of increased volatility, easing pressure on COGS and generating a tailwind for gross margin
- Micro: Strategic acquisition of pet food business enters a large (\$143.6bn revenue), growing (5.3\% CAGR) category for Post and positions the company well for a potential inflationary and/or recessionary environment with its private label model
- Credit: Strong free cash flow generation keeps improving net leverage, which could lead to a credit ratings upgrade opportunity


## Company Overview

## ALPHACHALLENGE

Post Holdings, Inc. is a CPG company with businesses operating in the center-of-the-store, refrigerated, foodservice, and food ingredient categories.

## 2023 Revenue per Brand

\$M, \% of total


2023 EBITDA Margin per Brand
\%


Main Brand Mix

| Post Consumer Brands | Weetabix / International | Foodservice \#1 Value-Added | Refrigerated Retail |
| :---: | :---: | :---: | :---: |
| \#3 US Market | \#1 Cereal Brand in | Eggs and | 57\% Market Share |
| Share | the UK | Potatoes | in Refrigerated Side Dish |
| Post |  | $\underset{\text { POTATOES }}{\text { SIMPLY }}$ | crastal Lapus |
| Pixin | Alpen | BEF ${ }_{\text {boats }}$ | $\begin{aligned} & \text { Bobevanus } \\ & \text { faRns. } \end{aligned}$ |

2023 Revenue Growth per Brand
\%


## 

## Post has had a meteoric rise from a pure-play cereal manufacturer to a CPG conglomerate in a decade




Experienced Management Team with Strong Track Record in CPG Deal-Making


Robert V. Vitale, President and CEO

- CEO since 2014, CFO (2011-2014)
- Prior experience in financial services and consumer product PE, experienced in transformative growth and acquisitions
- Oversaw more than 20 acquisitions since he joined



## Matt Mainer, CFO

- Joined in 2015, CFO since 2022
- Oversaw a variety of innovative financial transactions, including the IPO of BellRing Brands


## 

## Post's leverage is high, but debt maturities are relatively far out, and interest rates are 100\% fixed at attractive long-term rates

Post only has $6.5 \%$ of its total debt maturing over the next three years versus a weighted average of $28.8 \%$ in packaged food industry, with a weighted-average fixed interest rate $\sim 5 \%$

We view the 2029 notes to be the most attractive position on the capitalization table given the more attractive yield and the lower maturity wall when compared to the 2030 ( $34 \%$ lower)and 2031 notes ( $53 \%$ lower)

Leverage

| Facility | Out (\$MM) | Guaranteed? | Secured? | Price | Market (\$) | Yield | Coupon S | Spread | S\&P Rating | @Notional @Market |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Revolving Credit Facility matures 03/18/2025 | - | $Y$ | $Y$ | - |  | - | 6.92\% - |  | BB |  |  |
| First Lien Term Loan matures 04/26/2026 | 400.0 | Y | Y | 98.1 | 392.5 | 8.6\% | 7.58\% - |  | - |  |  |
| Total Secured Debt | 400.0 |  |  |  | 392.5 |  |  |  |  | 0.3x | 0.3x |
| 5.75\% Senior Notes due 03/01/27 | 459.3 | Y | N | 97.7 | 448.7 | 6.5\% | 5.75\% | 205.16 |  |  |  |
| 2.50\% Corporate Convertible due 08/15/27 | 575.0 | $Y$ | N | 98.7 | 567.7 | 2.9\% | 2.50\% - |  | - |  |  |
| 5.625\% Senior Notes due 01/15/28 | 940.9 | $Y$ | N | 96.0 | 903.3 | 6.7\% | 5.63\% | 228.63 | B+ |  |  |
| 5.50\% Senior Notes due 12/15/29 | 1,235.0 | $Y$ | N | 92.8 | 1,146.3 | 7.0\% | 5.50\% | 248.34 |  |  |  |
| 4.625\% Senior Notes due 04/15/30 | 1,452.9 | Y | N | 88.0 | 1,279.0 | 7.0\% | 4.63\% | 244.53 |  |  |  |
| 4.50\% Senior Notes due 09/15/31 | 1,129.3 | N | N | 85.2 | 962.4 | 7.0\% | 4.50\% | 250.59 |  |  |  |
| Total Debt Outstanding | 6,592.5 |  |  |  | 6,092.4 |  |  |  |  | 5.3x | 4.9x |
| - Cash \& Cash Equivalents | 93.3 |  |  |  | 93.3 |  |  |  |  |  |  |
| Net Debt | 6,499.2 |  |  |  | 5,999.1 |  |  |  |  | 5.3x | 4.9x |
| + Total Minority Interest | 9.2 |  |  |  |  |  |  |  |  |  |  |
| + Market Capitalization | 5,227.5 |  |  |  |  |  |  |  |  |  |  |
| Enterprise Value | 11,735.9 |  |  |  |  |  |  |  |  | 9.5x | 9.5x |
| Adj. EBITDA Int. Coverage |  |  |  |  |  |  |  |  |  | $1,233.1$ |  |

## Investment Thesis

## ALPHACHALLENE

Tailwinds

- On 11/9/2023, the Department of Agriculture announced that this year's harvest was the biggest ever, leading to a significant reduction in corn future prices
- Wheat price is also declining, indicating an easing of supply uncertainty
- Egg price has also fallen from its peak in January 2023 caused by bird flu

Thesis \#1: Price of core inputs are trending favorably, easing the pricing pressure and increasing margins

## Post Holdings Gross Margin

\$M
34\%
$32 \%$

30\%

28\%

26\%

24\%

22\%

|  |  |  |  | Increase in <br> input prices |  |  |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |
|  |  |  |  |  |  |  |
| $20 \%$ | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 YTD |

## ALPHACHALLENGE

Thesis \#2: Strategic acquisition opens a new, large, \& growing category for Post and positions it well for inflationary and recessionary environment with private labels


## ALPHACHAL

The transaction included brands such as Rachael Ray Nutrish, Nature's Recipe, 9Lives, Kibbles ' $n$ Bits and Gravy Train, private label assets, and related facilities.


## ALPHACHALLENGE

Thesis \#3: Strong FCF generation could improve net leverage greatly if acquisition activities stay focused and well-timed, prompting upgrade opportunity in FY 2024-2025

Key Assumptions

| Base | $>$ Revenue growth at $\sim 11 \%$ CAGR (separately projected by business segment) <br> $>$ Margin (gross) gradually recover to Pre-COVID level of ~30\% by 2026 <br> >\$1.5bn total acquisition within projection period | \$B | 2021a | 22a | 23a | 24 e | 25e | 26 e | 26 Bear | 26 Bull |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Revenue | 4,981 | 5,851 | 6,991 | 7,996 | 8,537 | 9,565 | 8,394 | 10,604 |
|  |  | Adj. EBITDA | 889 | 964 | 1,233 | 1,420 | 1,671 | 2,028 | 1,290 | 2,219 |
|  |  | Net Income | 167 | 757 | 301 | 361 | 534 | 782 | 193 | 910 |
| Bear | $>$ Revenue growth at $\sim 6 \%$ CAGR (separately projected by business segment) <br> $>$ Margin stay at suppressed level of 2022 <br> \$2.0bn total acquisition within projection period | OCF | 484 | 535 | 750 | 770 | 999 | 1,095 | 505 | 1,236 |
|  |  | FCF | 293 | 280 | 447 | 257 | 658 | 712 | 169 | 811 |
|  |  | Cash | 665 | 685 | 93 | 97 | 415 | 388 | 55 | 725 |
|  |  | Total Assets | 12,415 | 11,308 | 11,647 | 12,026 | 12,530 | 13,651 | 13,605 | 14,220 |
| Bull |  | Total Debt | 6,943 | 6,168 | 6,040 | 6,191 | 6,491 | 7,091 | 8,391 | 6,991 |
|  | $>$ Revenue growth at $\sim 15 \%$ CAGR (separately projected by business segment) | Net Debt | 6,279 | 5,483 | 5,947 | 6,094 | 6,076 | 6,703 | 8,336 | 6,266 |
|  | $>$ Margin (gross) recover to | Total Leverage | 7.8x | 6.4 x | 4.9x | 4.4x | 3.9x | $3.5 x$ | 6.5x | 3.2x |
|  | Pre-COVID level of $\sim 30 \%$ by end of 2025 | Net Leverage | 7.1x | 5.7x | 4.8x | 4.3 x | 3.6x | $3.3 x$ | 6.5x | 2.8x |
|  | $>\$ 1.5$ bn total acquisition within projection period | Interest Cov. | 2.3x | 8.3x | 2.3x | $2.9 x$ | $3.7 x$ | $4.7 x$ | 1.8x | 5.4x |
|  |  |  |  |  |  | Upgrade Opportunity |  |  |  | 11 |

## Valuation

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## Our base case valuation calls for 220bps target spread in one year, for total annualized return of $\mathbf{1 2 . 9 \%}$ (returns calculated based on 4.1252028 bonds)

Bear - Trade wider to ~350bps for 6.9\% total return p.a.
Base -Tighten to ${ }^{\sim} 220$ bps for $\sim 12.9 \%$ return p.a.
Bull - Tighten to close to low IG level at $\sim 150$ bps for $\sim 16.6 \%$ return p.a.

|  | Moody's | S\&P | Base | Bear | Bull |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Upgrade <br> Trigger | $>$ Good organic sales growth <br> $>$ Stable operating profit margin <br> $>$ Free cash flow remains strong <br> $>$ Debt/EBITDA sustained below $5.5 x$ | Adopts less-aggressive financial policies such that we expect it to maintain leverage of less than $5 x$. | Met | Not <br> Met | Met |
| Downgrade Trigger | $>$ Deterioration in operating performance <br> $>$ Material deterioration in liquidity or free cash flow <br> $>$ Debt/EBITDA sustained above $6.5 x$ | Sustain leverage or more than $6.5 x$ or <br> if its EBITDA Interest coverage falls below $3 x$. | Not Met | Met (part ially) | Not Met |

Comp Table (as of 11/13/2023)

| Issuer | Bonds | Coupon | Maturity | Price | Yield | Spread | Net <br> Leverage | LTM Debt | Net | EV |  | Market Cap | LTM EBITDA | Moody's | S\&P |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| US Foods, Inc. | USFOOD 4 3/4 02/15/29 | 4.75\% | Feb. 2029 | 91.0 | 6.8 | 218.0 | 5.4 |  | 4,899.0 | - |  | - | 915.7 | Ba3(s) | BB(s) |
| US Foods, Inc. | USFOOD 4 5/8 06/01/30 | 4.75\% | Jun. 2030 | 88.3 | 6.9 | 225.0 | 5.4 |  | 4,899.0 | - |  | - | 915.7 | Ba3(s) | BB(s) |
| Darling Ingredients Inc. | DAR 6 06/15/30 | 6.0\% | Jun. 2030 | 94.7 | 7.0 | 238.0 | 4.2 |  | 4,500.2 |  | 11,098.6 | 6,512.1 | 1,064.3 | Ba1(s) | $B B+(s)$ |
| Simmons Foods, Inc. | SIMFOO 4 5/8 03/01/29 | 6.25\% | Mar. 2029 | 84.9 | 8.2 | 354.0 | - | - |  | - |  | - | - | - | - |
| B\&G Foods, Inc. | BGS 8 09/15/28 | 8.00\% | Sep. 2028 | 99.6 | 8.1 | 346.0 | 7.0 |  | 2195.7 |  | 2,832.6 | 636.9 | 315.5 | B3(s) | B-(s) |
| Post Holdings, Inc. | POST $51 / 212 / 15 / 29$ | 5.50\% | Dec. 2029 | 91.5 | 7.2 | 259.0 | 6.3 |  | 5,976.4 |  | 11,156.1 | 5,169.9 | 953.8 | B1(s) | $B+(s)$ |
| Issuer | Bonds | Coupon | Maturity | Price | Yield | Spread | Net <br> Leverage | LTM Debt |  | EV |  | Market Cap | LTM EBITDA | Moody's | S\&P |
| General Mills, Inc. | GIS $51 / 210 / 17 / 28$ | 5.50\% | Oct. 2028 | 99.3 | 5.7 | 100.9 | 3.0 |  | 1,791.5 |  | 49,920.7 | 37,876.2 | 3,967.0 | Baa2(s) | BBB(4) |
| Kellanova | K $011 / 2$ 5/20/29 | 0.50\% | May. 2029 | 82.9 | 4.0 | 142.4 | 3.2 |  | 6,646.0 |  | 24,768.0 | 17,883.0 | 2,104.0 | Baa2(s) | BBB(n) |

## ALPHACHALLE

## We estimate that Post's Senior Unsecured Notes should have a recovery value of around 73\%

Only 7\% (\$400M) of Post's debt is secured. This means that the 2029 Notes are second in the capital structure along with the rest of the company's debt, which should be partially covered by the company's liquidation value.

|  | Recoverty <br> Balance Sheet as of: <br> ASSETS |  |  |
| :--- | ---: | ---: | ---: |
| FYE2023 |  |  |  |
| Cash And Equivalents |  |  |  |
| Total Cash \& ST Investments | 93.3 | $100 \%$ | 93.3 |
| Accounts Receivable | 512.4 | $75 \%$ | 93.3 |
| Total Receivables | 512.4 |  | 384.3 |
| Inventory | 789.9 | $65 \%$ | 513.4 |
| Prepaid Exp. | 59.0 | $75 \%$ | 44.3 |
| Restricted Cash | 23.9 | $100 \%$ | 23.9 |
| Other Current Assets | 0 | $50 \%$ | 0.0 |
| Total Current Assets | $\mathbf{1 , 4 7 8 . 5}$ |  | 581.6 |
| Net Property, Plant \& Equipment | $2,021.4$ | $50 \%$ | 1010.7 |
| Goodw ill | $4,574.4$ | $50 \%$ | 2287.2 |
| Other Intangibles | $3,212.4$ | $25 \%$ | 803.1 |
| Other Long-Term Assets | 360.0 | $50 \%$ | 180.0 |
| Total Assets | $\mathbf{1 1 , 6 4 6 . 7}$ |  | $\mathbf{4 , 8 6 2 . 6}$ |

Total Recovery ..... 4862.6
Liquidation Cost ..... 243.1
Proceeds Avai. ..... 4619.5
1L Secured Claims ..... 400
1L Secured Recovery ..... 100\%
Senior Unsecured Claims ..... 5792.5
Senior Unsecured Recovery ..... 73\%
Post has a variety of valuable brands andtrademarks that can be monetized toshore up additional cash if needed

## Key Covenants and Financial Strategy Details

- Ability to add more debt subjects to Fixed Charge Coverage Ratio >=2.0x and Secured Net Leverage Ratio <=4.25x
- Standard covenant on negative pledge, sales of assets, restricted payment, etc.
- Post Holdings does not pay dividends. Use of cash will be balanced among M\&A, share repurchases and debt repayments


## Risks \& Mitigants

## ALPHACHALLENGE

## Risks <br> Mitigants

Weakened consumer demand and competition degrades revenue

Company has leading and stable market share in most of the business segments in which it operates, and will launch a new advertising campaign (first time in two years) to promote its brands.

Increased M\&A and share buybacks

Management wants to keep leverage ratio on a downward trajectory. With strong FCF generation, the Company will have enough cash flow for $\sim \mathbf{\$ 1 . 5 b n}$ of M\&A and $\sim \$ 850 \mathrm{~mm}$ share buybacks in projection period while keep decreasing net leverage from 4.8x to 3.3x.

Structural risk related to health concerns to cereal consumption

Post's cereal brands are aimed at children who are less affected by recent trend of health concerns. Also there is currently no evidence that such concerns in adults have materialized to changing consumer behaviors.

Company has markedly improved supply chains over the previous two year's challenges to be more resilient by expanding production capacity and diversifying supplier base, normalizing back to steady-state production level.

## Appendix

## Business Overview

## ALPHACHALLEME

Industry-specific company revenue as a share of total industry revenue

| Kellogg Company <br> (25.2\%) <br> EBITDA Margin: <br> WK Kellogg: 5.3\% <br> Kellanova: 14.7\% | General Mills, Inc. <br> (19.7\%) <br> EBITDA Margin: 20.44\% | Pepsico, Inc. (15.1\%) |
| :---: | :---: | :---: |
| Other Companies (22\%) | Post Holdings, Inc. (18\%) <br> EBITDA Margin: 17.6\% | EBITDA <br> Margin: <br> 17.2\% |



LTM Revenue Growth \% by Business Segments


## Company Description

## ALPHACHALLENGE

Post Holdings, Inc. is an American consumer packaged goods holding company headquartered in St Louis, Missouri with businesses operating in the center-of-the-store, refrigerated, foodservice, and food ingredient categories.


## ALPHACHALLEME

Thesis \#1: Price of corn, wheat and coarse grains are trending favorably, easing the pricing pressure and increasing margins

- On 11/9/2023, the Department of Agriculture announced that this year's harvest was the biggest ever, leading to a significant reduction in corn future prices
- Wheat price is also declining, indicating an easing of supply uncertainty
- Egg price has also fallen from its peak in January 2023 caused by bird flu



## ALPHACHALNE

Thesis \#3: Strong FCF generation could improve net leverage greatly if acquisition activities stay focused and welltimed, prompting upgrade opportunity in FY 2024-2025


## Relative Value

## ALPHACHALLENGE

Spread on 10/31: 302.4


## Modeled Income Statement

## ALPHACHALLENGE

| Income Statement | Unit | $\begin{array}{r} \text { Sep-30- } \\ 2018 \end{array}$ | $\begin{array}{r} \text { Sep-30- } \\ 2019 \end{array}$ | $\begin{array}{r} \text { Sep-30- } \\ 2020 \end{array}$ | $\begin{array}{r} \text { Sep-30- } \\ 2021 \end{array}$ | $\begin{array}{r} \text { Sep-30- } \\ 2022 \end{array}$ | $\begin{array}{r} \text { Sep-30- } \\ 2023 \end{array}$ | $\begin{array}{r} \text { Sep-30- } \\ 2024 \mathrm{E} \end{array}$ | $\begin{array}{r} \text { Sep-30- } \\ 2025 \mathrm{E} \end{array}$ | $\begin{array}{r} \text { Sep-30- } \\ 2026 \mathrm{E} \end{array}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Revenue | \$million | 6,257.20 | 5,681.10 | 4,711.00 | 4,980.70 | 5,851.20 | 6,991.00 | 7,996.09 | 8,536.98 | 9,564.84 |
| Growth | \% |  | -9.2\% | -17.1\% | 5.7\% | 17.5\% | 19.5\% | 14.4\% | 6.8\% | 12.0\% |
| Cost Of Goods Sold | \$million | 4,400.70 | 3,881.60 | 3,261.60 | 3,552.60 | 4,383.70 | 5,109.30 | 5,839.03 | 6,149.09 | 6,685.65 |
| Gross Profit | \$million | 1,856.50 | 1,799.50 | 1,449.40 | 1,428.10 | 1,467.50 | 1,881.70 | 2,157.06 | 2,387.89 | 2,879.19 |
| Gross Margin | \% | 29.7\% | 31.7\% | 30.8\% | 28.7\% | 25.1\% | 26.9\% | 27.0\% | 28.0\% | 30.1\% |
| Selling, General and Administrative Expe | \$million | 940.10 | 890.70 | 775.70 | 797.80 | 897.20 | 1,078.40 | 1,269.26 | 1,263.12 | 1,403.45 |
| Depreciation \& Amortization of Goodwill | \$million | 177.40 | 161.30 | 138.10 | 143.20 | 146.00 | 160.70 | 182.34 | 194.67 | 218.11 |
| Other Operating Expenses/(Income) | \$million | 1.80 | 2.10 | 1.30 | 2.20 | 10.60 | 1.50 | 5.60 | 5.60 | 5.60 |
| Operating Income | \$million | 737.20 | 745.40 | 534.30 | 484.90 | 413.70 | 641.10 | 699.87 | 924.50 | 1,252.03 |
| Depreciation \& Amortization | \$million | 218.50 | 210.90 | 210.00 | 224.10 | 234.20 | 230.50 | 283.36 | 297.48 | 303.97 |
| Depreciation \& Amortization of Goodwill | \$million | 177.40 | 161.30 | 138.10 | 143.20 | 146.00 | 160.70 | 182.34 | 194.67 | 218.11 |
| EBITDA | \$million | 1,133.10 | 1,117.60 | 882.40 | 852.20 | 793.90 | 1,032.30 | 1,165.56 | 1,416.65 | 1,774.11 |
| Other Adjustments |  |  |  | 60.90 | 37.20 | 169.60 | 200.80 | 254.00 | 254.00 | 254.00 |
| Adjusted EBITDA |  | 1,133.10 | 1,117.60 | 943.30 | 889.40 | 963.50 | 1,233.10 | 1,419.56 | 1,670.65 | 2,028.11 |
| EBITDA Margin | \% | 18.1\% | 19.7\% | 20.0\% | 17.9\% | 16.5\% | 17.6\% | 17.8\% | 19.6\% | 21.2\% |
| Net Interest Expense | \$million | 278.30 | 658.80 | 521.00 | 209.80 | 49.80 | 279.10 | 241.60 | 249.60 | 266.60 |
| Other Non-operating Income | \$million | 11.80 | 1.20 | (22.40) | (17.40) | (51.60) | 47.20 | 5.60 | 5.60 | 5.60 |
| EBT Excluding Unusual Items | \$million | 470.70 | 87.80 | (9.10) | 257.70 | 312.30 | 409.20 | 463.86 | 680.49 | 991.03 |
| Unusal Items | \$million | (206.30) | 34.30 | (67.70) | (87.60) | 515.90 | 3.40 | - | - | - |
| EBT Including Unusual Items | \$million | 264.40 | 122.10 | (76.80) | 170.10 | 828.20 | 412.60 | 463.86 | 680.49 | 991.03 |
| Income Tax Expense | \$million | (204.00) | (3.90) | (21.30) | 58.20 | 85.70 | 99.70 | 91.65 | 134.98 | 197.09 |
| Earnings of Discontinued Ops. | \$million |  | - | 57.30 | 61.80 | 21.60 | - | - | - | - |
| Net Income to Company | \$million | 468.40 | 126.00 | 1.80 | 173.70 | 764.10 | 312.90 | 372.21 | 545.52 | 793.94 |
| Net Income Attributable to Minority Intere | \$million | (1.10) | (1.30) | (1.00) | (7.00) | (7.50) | (11.60) | (11.60) | (11.60) | (11.60) |
| Net Income | \$million | 467.30 | 124.70 | 0.80 | 166.70 | 756.60 | 301.30 | 360.61 | 533.92 | 782.34 |

## Modeled Balance Sheet

## 

| Balance Sheet | Unit | $\begin{array}{r} \text { Sep-30- } \\ 2018 \end{array}$ | $\begin{array}{r} \text { Sep-30- } \\ 2019 \end{array}$ | $\begin{array}{r} \text { Sep- } 30- \\ 2020 \end{array}$ | $\begin{array}{r} \text { Sep-30- } \\ 2021 \end{array}$ | $\begin{array}{r} \text { Sep-30- } \\ 2022 \end{array}$ | $\begin{array}{r} \text { Sep-30- } \\ 2023 \end{array}$ | $\begin{array}{r} \text { Sep-30- } \\ 2024 \mathrm{E} \end{array}$ | $\begin{array}{r} \text { Sep-30- } \\ 2025 \mathrm{E} \end{array}$ | $\begin{array}{r} \text { Sep-30- } \\ 2026 \mathrm{E} \end{array}$ |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| ASSETS |  |  |  |  |  |  |  |  |  |  |
| Cash And Equivalents | \$million | 996.10 | 1,050.70 | 1,194.70 | 664.50 | 684.70 | 93.30 | 97.47 | 415.41 | 387.73 |
| Accounts Receivable | \$million | 462.30 | 445.10 | 441.60 | 452.40 | 544.20 | 512.40 | 555.22 | 561.20 | 662.65 |
| Inventory | \$million | 484.20 | 579.80 | 599.40 | 476.60 | 549.10 | 789.90 | 839.88 | 870.85 | 1,057.93 |
| Other Current Assets | \$million | 257.70 | 50.70 | 52.10 | 492.60 | 445.40 | 82.90 | 82.90 | 82.90 | 82.90 |
| Total Current Assets | \$million | 2,200.30 | 2,126.30 | 2,287.80 | 2,086.10 | 2,223.40 | 1,478.50 | 1,575.47 | 1,930.36 | 2,191.21 |
| Property, Plant \& Equipment | \$million | 1,709.70 | 1,736.00 | 1,896.00 | 1,946.00 | 1,874.80 | 2,021.40 | 2,250.89 | 2,294.89 | 2,373.51 |
| Goodwill \& Intangibles | \$million | 8,038.90 | 7,738.30 | 7,636.10 | 7,426.00 | 7,061.80 | 7,786.80 | 7,839.46 | 7,944.80 | 8,726.69 |
| Other Long-Term Assets | \$million | 1,108.60 | 351.00 | 326.80 | 956.60 | 148.00 | 360.00 | 360.00 | 360.00 | 360.00 |
| Total Assets | \$million | 13,057.50 | 11,951.60 | 12,146.70 | 12,414.70 | 11,308.00 | 11,646.70 | 12,025.83 | 12,530.05 | 13,651.41 |
| LIABILITIES | \$million |  |  |  |  |  |  |  |  |  |
| Accounts Payable | \$million | 365.10 | 395.60 | 367.90 | 384.20 | 452.70 | 368.80 | 399.62 | 403.92 | 476.94 |
| Curr. Port. of Debt | \$million | 45.70 | 98.60 | 264.90 | 149.50 | 49.10 | 1.10 | 1.10 | 1.10 | 1.10 |
| Other Current Liabilities | \$million | 381.30 | 308.70 | 341.60 | 515.50 | 322.00 | 435.40 | 435.40 | 435.40 | 435.40 |
| Total Current Liabilities | \$million | 792.10 | 802.90 | 974.40 | 1,049.20 | 823.80 | 805.30 | 836.12 | 840.42 | 913.44 |
| Long-Term Debt | \$million | 7,326.40 | 7,396.40 | 7,413.30 | 6,793.60 | 6,118.40 | 6,039.00 | 6,190.10 | 6,490.10 | 7,090.10 |
| Deferred Income Tax | \$million | 778.40 | 688.50 | 784.50 | 729.10 | 688.40 | 674.40 | 674.40 | 674.40 | 674.40 |
| Other Non-Current Liabilities | \$million | 1,100.10 | 126.50 | 145.50 | 783.60 | 105.10 | 276.70 | 276.70 | 276.70 | 276.70 |
| Total Liabilities | \$million | 9,997.00 | 9,014.30 | 9,317.70 | 9,355.50 | 7,735.70 | 7,795.40 | 7,977.32 | 8,281.62 | 8,954.64 |
| Common Stock | \$million | 0.80 | 0.80 | 0.80 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 |
| Additional Paid In Capital | \$million | 3,590.90 | 3,734.80 | 4,182.90 | 4,253.50 | 4,748.20 | 5,288.10 | 5,288.10 | 5,288.10 | 5,288.10 |
| Retained Earnings | \$million | 88.00 | 207.80 | 208.60 | 347.30 | 1,109.00 | 1,416.50 | 1,613.11 | 1,813.02 | 2,261.37 |
| Treasury Stock | \$million | (589.90) | (920.70) | $(1,508.50)$ | $(1,902.20)$ | (2,341.20) | $(2,728.30)$ | $(2,728.30)$ | $(2,728.30)$ | $(2,728.30)$ |
| Comprehensive Inc. and Other | \$million | (39.40) | (96.80) | (29.30) | 42.90 | (262.90) | (135.10) | (135.10) | (135.10) | (135.10) |
| Total Common Equity | \$million | 3,050.40 | 2,925.90 | 2,854.50 | 2,742.40 | 3,254.00 | 3,842.10 | 4,038.71 | 4,238.62 | 4,686.97 |
| Minority Interest | \$million | 10.10 | 11.40 | (25.50) | 316.80 | 318.30 | 9.20 | 9.80 | 9.80 | 9.80 |
| Total Equity | \$million | 3,060.50 | 2,937.30 | 2,829.00 | 3,059.20 | 3,572.30 | 3,851.30 | 4,048.51 | 4,248.42 | 4,696.77 |
| Total Liabilities And Equity | \$million | 13,057.50 | 11,951.60 | 12,146.70 | 12,414.70 | 11,308.00 | 11,646.70 | 12,025.83 | 12,530.05 | 13,651.41 |

## Modeled Cash Flow Statement

## ALPHACHALLENGE

| Cash Flow | Unit | $\begin{array}{r} \text { Sep-30- } \\ 2018 \end{array}$ | $\begin{array}{r} \text { Sep-30- } \\ 2019 \end{array}$ | $\begin{array}{r} \text { Sep-30- } \\ 2020 \end{array}$ | $\begin{array}{r} \text { Sep-30- } \\ 2021 \end{array}$ | Sep-30- <br> 2022 | $\begin{array}{r} \text { Sep-30- } \\ 2023 \end{array}$ | Sep-302024E | $\begin{array}{r} \text { Sep-30- } \\ 2025 E \end{array}$ | Sep-302026E |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Net income | \$million | 467.30 | 124.70 | 0.80 | 166.70 | 756.60 | 301.30 | 366.61 | 539.92 | 788.34 |
| Depreciation \& Amort. | \$million | 218.50 | 210.90 | 206.90 | 223.30 | 234.20 | 246.40 | 283.36 | 297.48 | 303.97 |
| Amort. of Goodwill and Intangibles | \$million | 177.40 | 161.30 | 138.10 | 143.20 | 146.00 | 160.70 | 182.34 | 194.67 | 218.11 |
| Change in working capital | \$million | (144.60) | 191.10 | 236.60 | (48.90) | (601.60) | 41.90 | (61.98) | (32.64) | (215.52) |
| Cash from operating activities | \$million | 718.60 | 688.00 | 582.40 | 484.30 | 535.20 | 750.30 | 770.32 | 999.42 | 1,094.91 |
| Capital expenditures | \$million | (225.00) | (273.90) | (232.50) | (190.90) | (255.30) | (303.00) | (512.85) | (341.48) | (382.59) |
| Acquisition | \$million | $(1,454.40)$ | - | (19.90) | (635.30) | (24.80) | (715.20) | (235.00) | (300.00) | (1,000.00) |
| Other investing activities | \$million | 3.80 | 300.60 | 33.90 | 32.60 | 59.10 | 348.90 | - | - | - |
| Cash from investing activities | \$million | $(1,675.60)$ | 26.70 | (218.50) | (793.60) | (221.00) | (669.30) | (747.85) | (641.48) | $(1,382.59)$ |
| Change in debt | \$million | 712.9 | -169.1 | 444.4 | 101.7 | 801.7 | 223.1 | 151.10 | 300.00 | 600.00 |
| Issuance of Common Stock | \$million | 5.7 | 112.6 | 0 | 352.5 | 0 | 0 | - | - | - |
| Share repurchases | \$million | (218.70) | (322.10) | (635.50) | (397.10) | (443.00) | (387.10) | (170.00) | (340.00) | (340.00) |
| Common dividends | \$million | -10.8 | 0 | 0 | 0 | 0 | 0 | - | - | - |
| Other items | \$million | -67.7 | -276.1 | -77.1 | -220.9 | -754.4 | -389.9 | 0.60 | - | - |
| Cash from financing activities | \$million | 421.40 | (654.70) | (268.20) | (163.80) | (395.70) | (553.90) | (18.30) | (40.00) | 260.00 |
| Net change in cash during period | \$million | (535.60) | 60.00 | 95.70 | (473.10) | (81.50) | (472.90) | 4.17 | 317.94 | (27.69) |
| FCF | \$million | 493.60 | 414.10 | 349.90 | 293.40 | 279.90 | 447.30 | 257.47 | 657.94 | 712.31 |

## Investment Thesis \#2 - Acquisition and Divestitures Timeline

## ALPHACHALLENGE

| Date | Target/Divestiture | Price (MM) | EV/Sales | EV/EBITDA | Sales | BITDA | Notes |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Acquisitions |  |  |  |  |  |  |  |
| Dec-12 | Attune Foods | 9 |  |  |  |  | Includes with Hearthside mutliples are per FY13 10-K |
| May-13 | Hearthside Food Solutions | 160 | 1.8x | 8.0x | 89 | 20 |  |
| Sep-13 | Premier Nutrition | 180 | 1.3 x | 9.7x | 135 | 19 |  |
| Jan-14 | Dakota Growers Pasta | 370 | 1.2x | 8.4 x | 300 | 44 |  |
| Feb-14 | Dymatize | 380 | 2.0x | 10.4x | 191 | 37 |  |
| Feb-14 | Golden Boy Foods | 320 | 1.1x | 9.1x | 300 | 35 |  |
| Feb-14 | Powerbar and Musahi | 150 | 0.9x | 9.4x | 170 | 16 |  |
| Apr-14 | Michael Foods | 2,500 | 1.3x | 9.5x | 1,935 | 263 |  |
| Nov-14 | American Blanching | 128 | 0.9x | 8.5x | 135 | 15 |  |
| May-15 | MOM Brands | 1,150 | 1.5x | 9.6x | 760 | 120 | 25MM synergies |
| Oct-15 | Willamette Egg Farms | 90 | 1.1x | 6.0x | 80 | 15 |  |
| Oct-16 | National Pasteurized Eggs | 98 | 0.9x | 10.9x | 111 | 9 | "Highly synergistic" |
| Jul-17 | Weetabix | 1,825 | 3.4 x | 12.2x | 533 | 150 |  |
| Jan-18 | Bob Evans | 1,500 | 3.1 x | 14.0x | 488 | 107 | 25MM synergies |
| Jul-20 | Henningsen Foods | 20 |  |  |  |  | No financial detail provided |
| Jan-21 | Peter Pan | 102 | 0.9x |  | 110 |  |  |
| Feb-21 | Almark | 52 |  |  |  |  |  |
| May-21 | Egg Beaters | 50 | 1.3x |  | 40 |  |  |
| Jun-21 | Private Label Cereal (THS) | 85 | 0.4 x |  | 221 | <0 | Slightly negative EBITDA |
| Apr-22 | Lacka Foods | 32 |  |  |  |  |  |
| Apr-23 | Pet Food (SJM) | 1,208 | 0.9x | 12.1x | 1,400 | 100 | 30MM synergies |
| Dec-23 | Perfection Pet Foods | 235 | 0.9x | 9.4 x | 250 | 25 | $\sim 1 \mathrm{x}$ sales |
|  | Total Acquisitions | 10,644 | 1.4x | 9.8x | 7,248 |  | Average |
| Divestitures |  |  |  |  |  |  |  |
| Jul-15 | Powerbar Australia | (4) | 0.2x |  | (23) |  |  |
| Mar-16 | Michael Foods Canada | (7) | 0.2x |  | (29) |  |  |
| Dec-18 | 8th Avenue | $(1,257)$ | 1.5x | 11.3x | (849) | (112) | Spin-off |
| Oct-21 | BellRing Brands | $(1,885)$ | $2.6 x$ | 14.2x | (725) | (133) | Spin-off |
| Dec-21 | Willamette Egg Farms | (56) | 1.7 x |  | (33) |  |  |
|  | Total Divestitures | $(3,209)$ | 1.2x |  | 11,652 |  | Average |

Source: Company reports and J.P. Morgan estimates.

