



# Third Quarter Fiscal Year 2020 Earnings Call

May 7, 2020

# Safe Harbor Statement



## Safe Harbor Statement

Certain statements contained in this presentation constitute “forward-looking statements” within the meaning of federal securities laws, including the Private Securities Litigation Reform Act of 1995. Forward-looking statements are predictions based on expectations and projections about future events and are not statements of historical fact. You can identify forward-looking statements by the use of forward-looking terminology such as “plan”, “continue”, “expect”, “anticipate”, “intend”, “predict”, “project”, “estimate”, “likely”, “believe”, “might”, “seek”, “may”, “will”, “remain”, “potential”, “can”, “should”, “could”, “future” and similar expressions, or the negative of those expressions, or similar words or phrases that are predictions of or indicate future events or trends and that do not relate solely to historical matters. You can also identify forward-looking statements by discussions of the Company’s strategic initiatives, including productivity and transformation, the Company’s Guidance for Fiscal Year 2020 and our future performance and results of operations.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, levels of activity, performance or achievements of the Company, or industry results, to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements, and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods that may be incorrect or imprecise and may not be able to be realized. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). Such factors include, among others, challenges and uncertainty resulting from the COVID-19 pandemic, the impact of competitive products and changes to the competitive environment, changes to consumer preferences, the United Kingdom’s exit from the European Union, consolidation of customers or the loss of a significant customer, reliance on independent distributors, general economic and financial market conditions, risks associated with our international sales and operations, our ability to manage our supply chain effectively, volatility in the cost of commodities, ingredients, freight and fuel, our ability to execute and realize cost savings initiatives, including SKU rationalization plans, the impact of our debt and our credit agreements on our financial condition and our business, our ability to manage our financial reporting and internal control system processes, potential liabilities due to legal claims, government investigations and other regulatory enforcement actions, costs incurred due to pending and future litigation, potential liability, including in connection with indemnification obligations to our current and former officers and members of our Board of Directors that may not be covered by insurance, potential liability if our products cause illness or physical harm, impairments in the carrying value of goodwill or other intangible assets, our ability to consummate divestitures, our ability to integrate past acquisitions, the availability of organic ingredients, disruption of operations at our manufacturing facilities, loss of one or more independent co-packers, disruption of our transportation systems, risks relating to the protection of intellectual property, the risk of liabilities and claims with respect to environmental matters, the reputation of our brands, our reliance on independent certification for a number of our products, and other risks detailed from time-to-time in the Company’s reports filed with the United States Securities and Exchange Commission, including our most recent Annual Report on Form 10-K and our subsequent reports on Forms 10-Q and 8-K. As a result of the foregoing and other factors, the Company cannot provide any assurance regarding future results, levels of activity and achievements of the Company, and neither the Company nor any person assumes responsibility for the accuracy and completeness of these statements. All forward-looking statements contained herein apply as of the date hereof or as of the date they were made and, except as required by applicable law, the Company disclaims any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors of new methods, future events or other changes.

## Non-GAAP Financial Measures

This presentation and the accompanying appendix include non-GAAP financial measures, including net sales adjusted for the impact of Foreign Exchange, Divestitures and certain other items, including SKU rationalization, as applicable in each case, adjusted operating income, adjusted gross margin, adjusted net income, adjusted earnings per diluted share, Adjusted EBITDA and operating free cash flow. The reconciliations of these non-GAAP financial measures to the comparable GAAP financial measures are included in this presentation and the appendix to this presentation. Management believes that the non-GAAP financial measures presented provide useful additional information to investors about current trends in the Company’s operations and are useful for period-over-period comparisons of operations. These non-GAAP financial measures should not be considered in isolation or as a substitute for the comparable GAAP measures. In addition, these non-GAAP measures may not be the same as similar measures provided by other companies due to potential differences in methods of calculation and items being excluded. They should be read only in connection with our financial results that are presented in accordance with GAAP.

# Heartfelt Thank You to Those on the Front Lines



**Our deepest condolences and prayers go out to those affected by the coronavirus, and a gratitude of the utmost sincerity to those who are working on the front lines.**

Our Employees

The Healthcare Community

Essential Workers

Our Retail and Supply Chain Partners

Our Customers

Those Working to Keep Us Safe

***We Thank You***

# Actions Taken to Protect and Support Our Employees



## **Deep Cleaning**

*Implemented additional rigorous cleaning processes in all of our facilities, including manufacturing plants and corporate offices*

## **Financial Assistance**

*Set up a financial assistance fund to help employees most impacted by COVID-19*

## **Social Distancing**

*Reorganized workplaces to facilitate social distancing, along with physical dividers and visual reminders*

## **Personal Protective Gear**

*Providing face masks and additional hand sanitizing and washing stations throughout workplaces*

## **Healthcare Support**

*Waiving co-pays for all telemedicine healthcare visits*

## **Eliminating Shared Points of Contact**

*Removed places of congregating where possible such as time clocks, created hands free entry and exit doors, provided additional tools to eliminate sharing*

## **Employee Screening**

*Requested all employees self-assess for COVID symptoms before reporting to work, training plant leadership on symptoms, temperature check process for all individuals entering our facilities*

# Q3 2020 Consolidated Financial Results



\$ in millions other than per share amounts

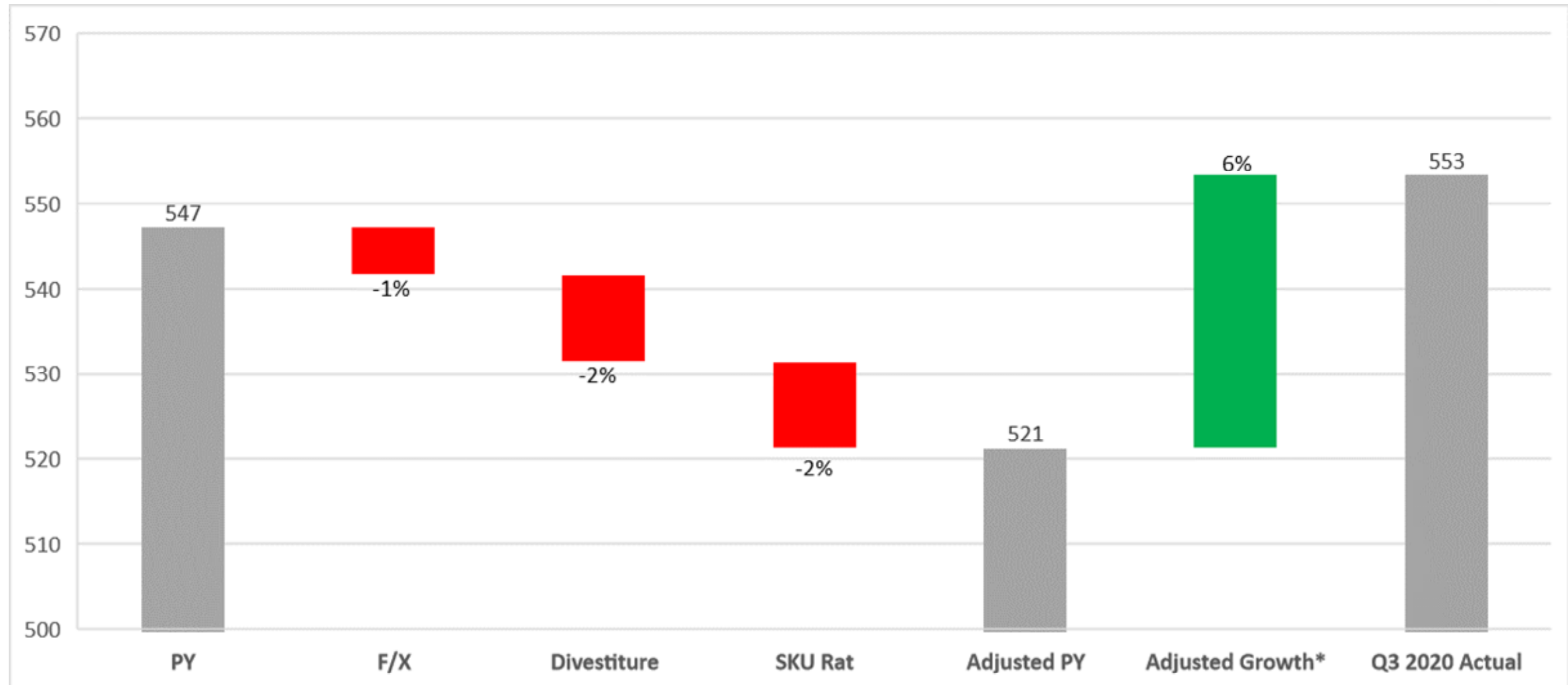
	2020 Q3		2019 Q3		YoY Change%	
	As Reported	Constant Currency	As Reported	Constant Currency	As Reported	Constant Currency
Net Sales	\$ 553.3	\$ 558.9	\$ 547.3		1.1%	2.1%
Adjusted Growth					6.1%	
Gross Profit	132.4	133.7	113.2		16.9%	18.1%
Gross Margin%	23.9%	23.9%	20.7%			
Adj. Gross Profit	134.3	135.6	117.4		14.4%	15.5%
Adjusted Gross Margin%	24.3%	24.3%	21.4%			
Adj. EBITDA	60.7	61.6	49.1		23.5%	25.3%
Adjusted EPS	\$ 0.28	\$ 0.28	\$ 0.19		47.4%	47.4%

Note: See appendix for reconciliation of Adjusted Gross Profit to Gross Profit, Adjusted EBITDA to Net Income and Adjusted EPS to Earnings Per Diluted Share.

# Q3 2020 Topline Decomposition

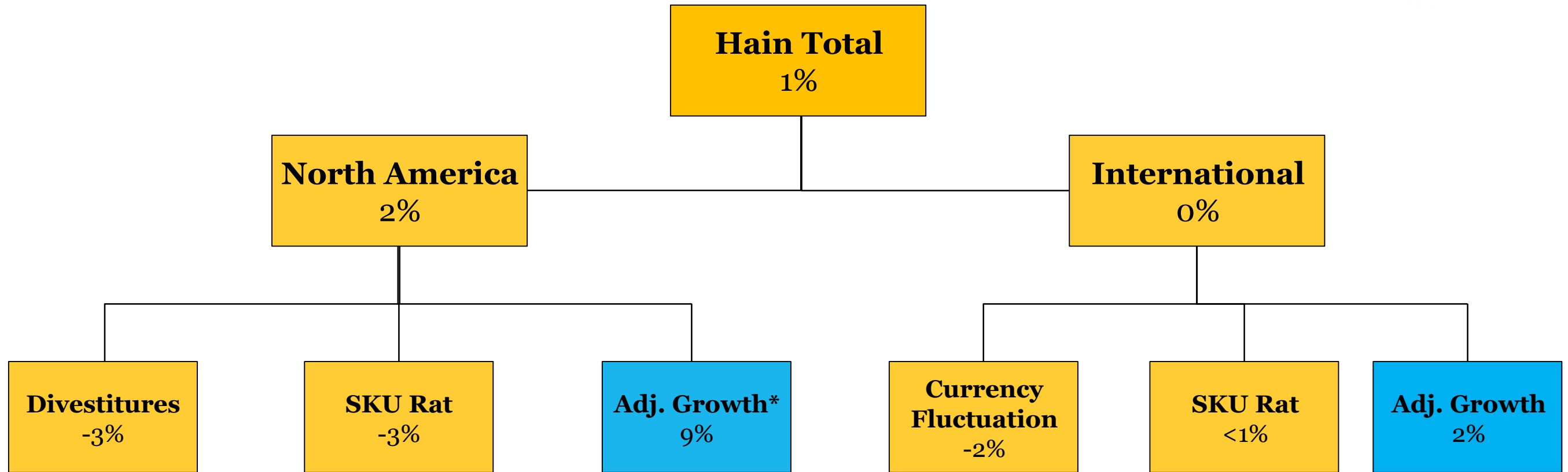


\$ in millions USD



**\*Covid-19 impact contributed to Adjusted Growth**

# Q3 2020 Topline Decomposition

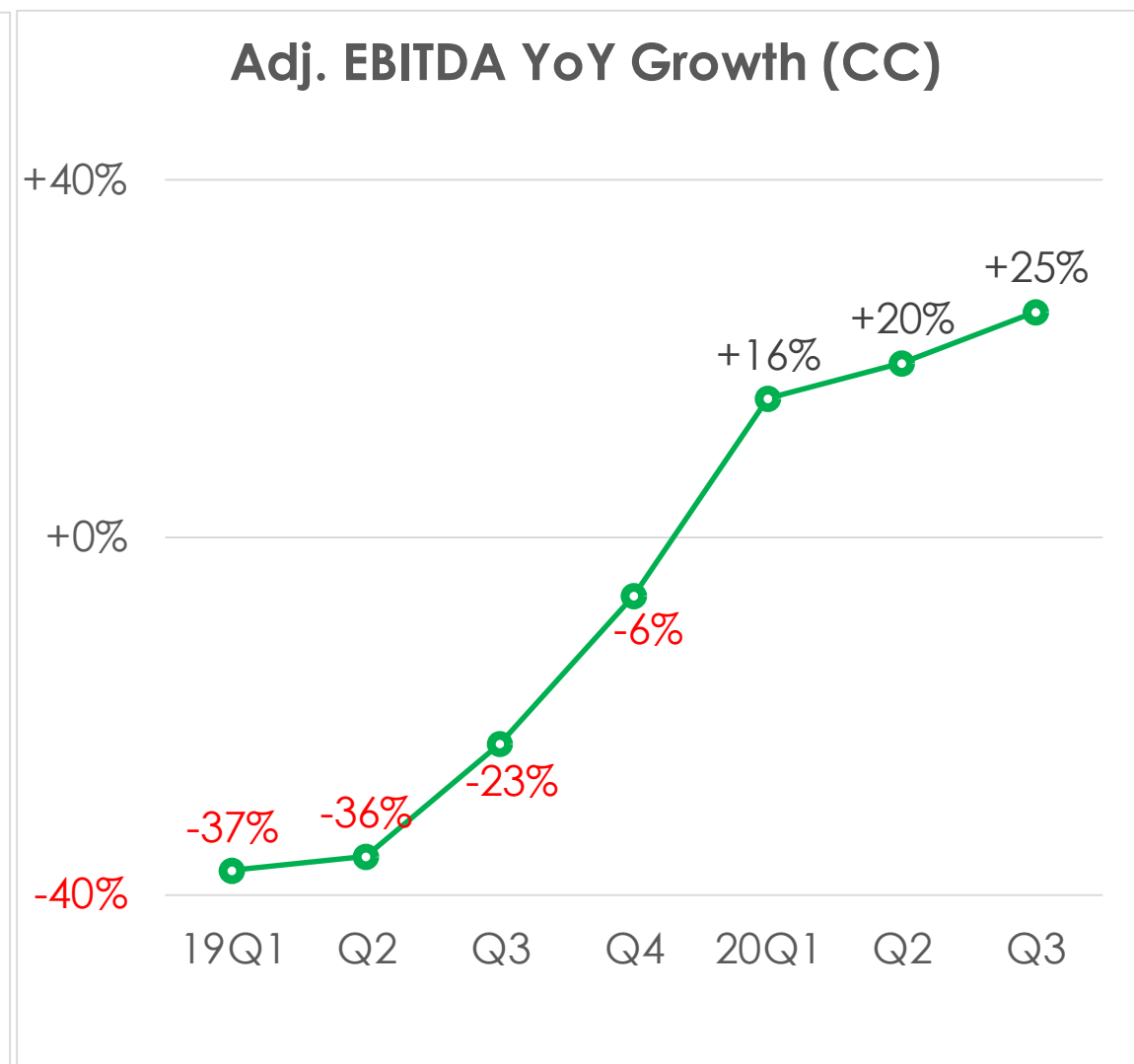
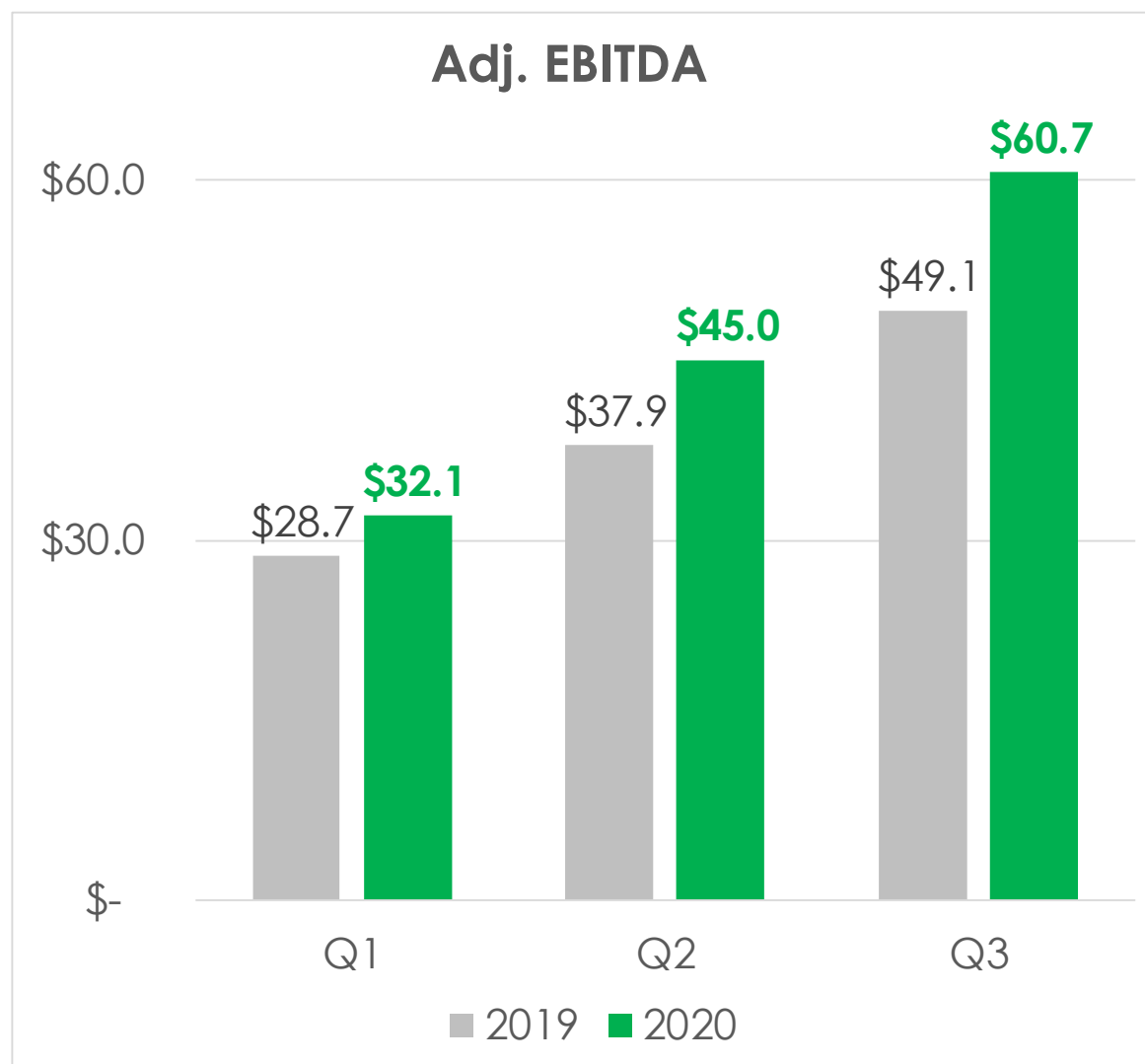


\*Covid-19 impact contributed to North America Adjusted Growth

# Hain Consol. - Adj. EBITDA Quarterly Trajectory



\$ in millions USD





# Fiscal 2020 Guidance vs. 2019 Performance















	FY '19 Reported	Previous FY '20 Guidance Reported      Constant Currency		New FY '20 Guidance Reported      Constant Currency	
Adjusted EBITDA	\$165 MM	\$177 - \$192 MM	\$179 - \$194 MM	\$190 - \$200 MM	\$195 - \$205 MM
<hr/>					
Adjusted EPS	\$0.60	\$0.62 - \$0.72	\$0.64 - \$0.74	\$0.75 - \$0.82	\$0.78 - \$0.85

Note: See appendix for reconciliation of Adjusted EBITDA to Net Income and Adjusted EPS to Earnings Per Diluted Share for fiscal 2019. For fiscal year 2020 the Company cannot reconcile its expected Adjusted EBITDA to Net Income or Adjusted Earnings Per Diluted Share to Earnings Per Diluted Share without unreasonable effort because certain items that impact Net Income and other reconciling metrics are out of the Company's control and/or cannot be reasonably predicted at this time.

# Fiscal 2020 Cadence: 1H vs. 2H



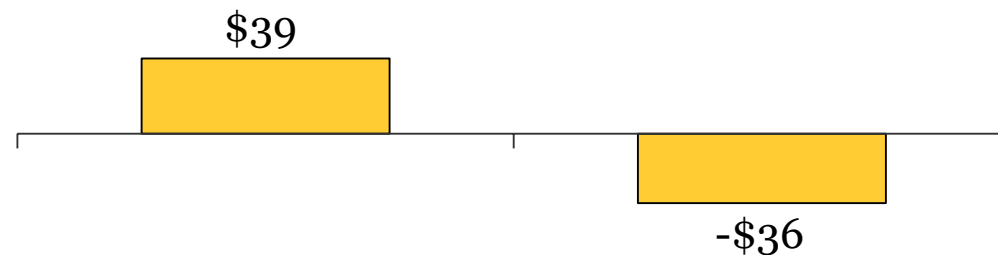
	2H19	1H20	2H20 (Initial)	2H20 (Current)
Top Line Growth				
Adjusted Gross Margin				
Adjusted EBITDA Margin				

# Cash and Capital: Significant Cash Generation



## Fiscal Year 2019

\$MM

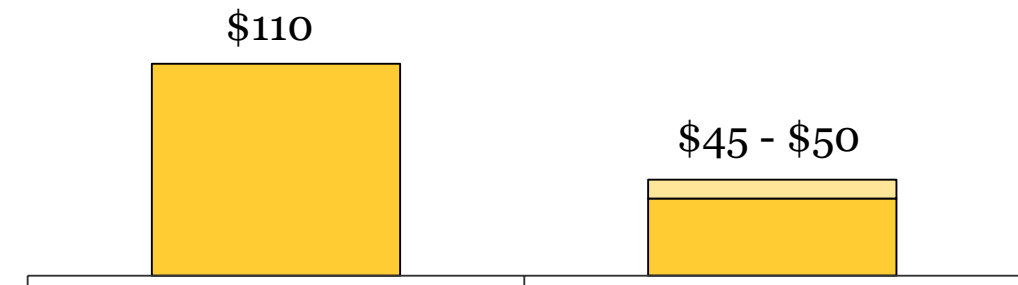


Operating Cash Flow

Free Cash Flow

## FY 2020 Guidance

\$MM



Operating Cash Flow

Free Cash Flow

***15 Day reduction in cash conversion cycle***

***\$80 - \$85MM Year-on-Year free cash flow***



# APPENDIX

# Reconciliation of GAAP Results to Non-GAAP Measures



**THE HAIN CELESTIAL GROUP, INC.**  
**Reconciliation of GAAP Results to Non-GAAP Measures**  
(unaudited and in thousands, except per share amounts)

	Three Months Ended March 31,					
	2020 GAAP	Adjustments	2020 Adjusted	2019 GAAP	Adjustments	2019 Adjusted
Net sales	\$ 553,297	-	553,297	\$ 547,257	-	\$ 547,257
Cost of sales	420,902	(1,873)	419,029	434,049	(4,153)	429,896
Gross profit	132,395	1,873	134,268	113,208	4,153	117,361
Operating expenses (a)	102,146	(13,551)	88,595	84,353	(1,023)	83,330
Productivity and transformation costs	11,514	(11,514)	-	9,408	(9,408)	-
Chief Executive Officer Succession Plan expense, net	-	-	-	455	(455)	-
Proceeds from insurance claims	(400)	400	-	-	-	-
Operating income	19,135	26,538	45,673	18,992	15,039	34,031
Interest and other expense (income), net (b)	3,777	679	4,456	7,061	(1,522)	5,539
(Benefit) provision for income taxes	(10,242)	22,129	11,887	2,943	5,136	8,079
Net income from continuing operations	25,036	3,730	28,766	8,783	11,425	20,208
Net (loss) income from discontinued operations, net of tax	(697)	697	-	(74,620)	74,620	-
Net income (loss)	24,339	4,427	28,766	(65,837)	86,045	20,208
Diluted net income per common share from continuing operations	0.24	0.04	0.28	0.08	0.11	0.19
Diluted net (loss) income per common share from discontinued operations	(0.01)	0.01	-	(0.72)	0.72	-
Diluted net income (loss) per common share	0.23	0.04	0.28	(0.63)	0.82	0.19

<sup>(a)</sup> Operating expenses include amortization of acquired intangibles, selling, general, and administrative expenses and long-lived asset and intangibles impairment.

<sup>(b)</sup> Interest and other expense, net includes interest and other financing expenses, net and other expense, net.

# Reconciliation of GAAP Results to Non-GAAP Measures (cont.)



## Detail of Adjustments:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
SKU rationalization and inventory write-down	\$ 1,362	\$ 505
Warehouse/manufacturing facility start-up costs	511	3,222
Plant closure related costs	-	426
Cost of sales	1,873	4,153
Gross profit	1,873	4,153
Intangibles impairment	7,650	-
Long-lived asset impairment	5,875	-
Warehouse/manufacturing facility start-up costs	26	-
Stock-based compensation acceleration	-	583
Litigation and related expenses	-	371
Plant closure related costs	-	69
Operating expenses (a)	13,551	1,023
Productivity and transformation costs	11,514	9,408
Productivity and transformation costs	11,514	9,408
Chief Executive Officer Succession Plan expense, net	-	455
Chief Executive Officer Succession Plan expense, net	-	455
Proceeds from insurance claims	(400)	-
Proceeds from insurance claims	(400)	-
Operating income	26,538	15,039
Unrealized currency (gains) losses	(1,011)	1,522
Loss on sale of business	332	-
Interest and other expense (income), net (b)	(679)	1,522
Income tax related adjustments	(22,129)	(5,136)
(Benefit) provision for income taxes	(22,129)	(5,136)
Net income from continuing operations	\$ 3,730	\$ 11,425

<sup>(a)</sup> Operating expenses include amortization of acquired intangibles, selling, general, and administrative expenses and long-lived asset and intangibles impairment.

<sup>(b)</sup> Interest and other expense (income), net includes interest and other financing expenses, net and other expense, net.

# Reconciliation of GAAP Results to Non-GAAP Measures (cont.)



	Three Months Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
	(unaudited and in thousands)			
Net income (loss)	\$ 24,339	\$ (65,837)	\$ (83,646)	\$ (169,763)
Net loss from discontinued operations	(697)	(74,620)	(105,581)	(123,672)
Net income (loss) from continuing operations	\$ 25,036	\$ 8,783	\$ 21,935	\$ (46,091)
(Benefit) provision for income taxes	(10,242)	2,943	(9,753)	(1,926)
Interest expense, net	3,332	5,278	11,884	13,966
Depreciation and amortization	12,927	12,483	40,069	37,548
Equity in net loss of equity-method investees	564	205	1,219	391
Stock-based compensation, net	3,761	3,927	9,581	5,489
Stock-based compensation expense in connection with Chief Executive Officer Succession Agreement	-	-	-	429
Long-lived asset and intangibles impairment	13,525	-	15,414	23,709
Unrealized currency (gains) losses	(1,011)	1,522	188	2,551
Productivity and transformation costs	10,967	9,259	37,402	29,464
Chief Executive Officer Succession Plan expense, net	-	455	-	29,727
Proceeds from insurance claim	(400)	-	(2,962)	-
Accounting review and remediation costs, net of insurance proceeds	-	-	-	4,334
Warehouse/manufacturing facility start-up costs	537	3,222	3,055	9,529
Loss on sale of business	332	-	2,115	-
SKU rationalization and inventory write-down	1,362	505	5,278	2,035
Plant closure related costs	-	184	2,354	3,502
Litigation and related expenses	-	371	48	1,062
Adjusted EBITDA	\$ 60,690	\$ 49,137	\$ 137,827	\$ 115,719

# Operating Free Cash Flow



	<b>Three Months Ended March 31,</b>		<b>Nine Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	(unaudited and in thousands)			
Cash flow provided by operating activities - continuing operations	\$ 46,944	\$ 18,335	\$ 64,092	\$ 18,331
Purchases of property, plant and equipment	(17,624)	(14,075)	(46,961)	(55,073)
Operating Free Cash Flow - continuing operations	<u>\$ 29,320</u>	<u>\$ 4,260</u>	<u>\$ 17,131</u>	<u>\$ (36,742)</u>