The Hain Celestial Group, Inc.

Investor Day

September 28, 2021

CORPORATE PARTICIPANTS

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PRESENTATION

Mark L. Schiller

Good morning. Welcome to Hain Celestial's Investor Day. I'm Mark Schiller, President and CEO of Hain Celestial.

Before we begin, let me get some legal statements out of the way. Aspects of today's presentation may constitute forward-looking statements, and actual results may differ materially from what we present today. This introductory slide identifies and provides details about some of the risks regarding those forward-looking statements, as well as where to find more information about our risk factors.

With that said, as we come to the end of the three-year transformation strategy we laid out at our last Investor Day in February 2019, I look forward to sharing our vision and strategy for the next several years.

As part of our transformation, we've assembled a tremendous team of leaders who have enabled our progress, and I'm pleased to be joined today by several of our executives who will help bring our go-forward strategy to life. Presenting today will be Doctor Wolfgang Goldenitsch, CEO of our international business; Chris Boever, Chief Commercial Officer of North America; David Karch, Chief Transformation Officer and interim Chief Supply Chain Officer; Javier Idrovo, our Chief Financial Officer; and Kristy Meringolo, Chief Counsel and Chief Compliance Officer.

When I joined Hain almost three years ago, I promised to provide you clarity, credibility and consistency, to help give you confidence in our Company and our plans. I'm very proud to say that we've done just that, delivering our profit guidance all ten quarters since the 2019 Investor Day despite a very volatile and challenging macroenvironment.

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To highlight what you're going to hear today, we are referring to the next phase of our journey as Hain 3.0. While today is about the future, and I won't spend too much time on the past, it's important to frame up where we were, where we are, and where we are going. Hain 1.0 was about acquiring a diverse set of health and wellness brands. Hain 2.0 was the transformation from a holding company to an operating company, by simplifying the business and setting the foundation for profit growth.

Now, Hain 3.0, which we will discuss today, is about building a global healthy food and beverage company with industry-leading top line growth. We believe Hain 3.0 positions us as an advantaged and differentiated company, as compared to others in the food industry, for several reasons. First, we're singularly focused on health and wellness. Second, we're a global company in high-growth categories with opportunities for expansion in existing and new channels and geographies. Third, we have unique and advantaged brands with strong points of difference. Fourth, given our size, small wins can drive material incremental growth. Fifth, our financial algorithm has been and is expected to continue outpacing the industry.

To frame today's presentation, we're going to cover three specific topics. First, we are completing our Hain 2.0 North America transformation ahead of schedule, resulting in a much stronger business that is well set up for the future. Second, in addition to the strong North America business which you're all familiar with, we also have an exceptional international business that's often overlooked and underappreciated. Today you'll get a clearer picture of its potential and why we believe pivoting to a more global strategy going forward will enhance sustainable value creation. Third, in Hain 3.0 we'll show you how we will build a focused high-growth global food and beverage company that's also highly profitable.

Let's start with a quick overview of what we set out to do in Hain 2.0, which not only laid the foundation for Hain 3.0 but gives us confidence in our ability to deliver it.

As you'll recall, back in 2019 the U.S. business was drowning in complexity, having acquired 55 brands over 25 years and never really integrating them. Profits had declined almost 75% in the prior 18 months. As a result, in Hain 2.0 we set out to transform the U.S. business from a holding company to an operating company. We were shifting from "growth at any cost" mindset to one of profitable growth; from a company that encouraged complexity in pursuit of growth to one that's much simpler and more focused; from a company where M&A was the primary strategy and driver of growth to a smaller simpler company with a stronger foundation from which to grow. We're also moving from a company less focused on margins to one that has delivered industry-leading productivity and restored profitability and investment for future growth. We also shifted from buying our way onto the shelf to ensuring our velocities are strong and earning our shelf space. Lastly, we moved from an environment where all brands were treated as equal and our scarce resources were spread very thin, to one that concentrated its resources and investment dollars on the brands that had the most growth potential.

We established four key strategies that would enable this transformation.

On the first strategy, simplification, we exited 23 brands that were sub-scale, low or negative profitability, and complex to operate. In total these brands had almost a billion dollars in sales but less than $20 million of EBITDA. We sold these businesses for more than 25 times EBITDA, using our net proceeds to reinvest in our factories, our employees, and our brands, while significantly delevering our balance sheet. Importantly, by shedding these brands, the Company now has a much stronger foundation with higher margins and higher growth rates.

In addition, we proactively exited almost a thousand unproductive SKUs prior to the pandemic, and simplified numerous aspects of the business, thereby shrinking the size of the Company and strengthening the foundation for future growth.

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To become a strong operating company, we also focused on building capabilities. It started with hiring a team of great operators who brought new skills and capabilities. In fact, more than half of our Vice President and above talent joined the Company after the transformation began. Together with our legacy Hain employees, we created numerous processes for the first time, drawing on our experiences at other CPG companies. We continue to refine the existing processes and create new ones, enabling our continued performance improvement.

We've significantly expanded margins and cash flow by building a productivity culture that has identified and executed hundreds of cost-saving projects.

Lastly, in Hain 2.0 we built the foundation for top line acceleration, commercializing innovation that built our brands and the category, and also revamping our marketing while increasing investment.

One great example of how all these strategies came to life over the last 2½ years is on our Earth's Best brand. This was the biggest brand in the Company when we started the transformation, but we made the difficult choice initially to focus on improving profitability, because its very low margins made it unworthy of investment. The brand had been overextended into almost 40 categories, thereby adding complexity and undermining the brand's profitability in the process.

In the first year, we started by creating a robust productivity agenda to restore margins. In the second year, after fixing the profitability and strengthening the velocities of the remaining products, we began renovating this brand by innovating again in highly profitable segments. For example, we took higher-margin products like Veggie Straws and Puffs, that we were already making for our Sensible Portions brand, and designed them in kid sizes and flavors, leveraging the beloved Sesame Street characters. Then we restored marketing investment to drive trial and strengthen our brand. The outcome has been exceptional. While we initially proactively simplified our business and reduced sales by 20%, it's still one of our five biggest brands today, and now, after improving Adjusted EBITDA margins by a thousand basis points, we're investing in the brand and driving growth. In fact, in the last 12 weeks our consumption is up 21% and our velocities are up 22%.

So how have we done since my initial Investor Day in early 2019? Well I'm pleased to report that we've delivered our three-year algorithm commitments a year ahead of schedule. We've gone from a business that was declining in 2019 to one that had grown an average of 3% the last two years, in line with our 3% to 6% guidance that we said we would reach by the end of F'22. Our get-bigger brands have gone from declining to growing 4%, slightly below our 5% to 7% growth target. That's strong improvement when you consider that we really lost a year of growth at the beginning of the pandemic, when retailers weren't taking on our new innovation or resetting their shelves. The get-better brands, which were declining 11%, are now declining far less, and are performing at the high end of the three-year range we established. The international business grew 6%, well ahead of the 1% to 3% growth target we established.

Switching to profit, we expected to improve Adjusted EBITDA margins from 9% to 13% to 16% by the end of F'22. We've already achieved 14%, a year ahead of schedule, with more margin expansion expected this year. The get-bigger brands have improved margins from 13% to 15% in the last two years; this is slightly below the 16% to 18% three-year target, because we've chosen to increase our investment in marketing on these brands, to launch breakthrough innovation and secure increased distribution. The get-better brands have improved from 3% Adjusted EBITDA margin to 14%, well ahead of the high end of the target we gave you on Investor Day. International has improved its profit margins to 17%, also at the high end of the Investor Day range. Importantly, our progress has been incredibly consistent throughout the journey, with year-over-year Adjusted EBITDA margin improvement every quarter since Fiscal '19 began.

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Our strong performance during the transformation has also driven significant value creation, benefiting shareholders. Since our Investor Day in early '19, the Company's delivered a cumulative shareholder return of 125%, more than three times the CPG average.

With the plan we'll lay out today, we are confident that Hain 3.0 will continue to deliver attractive shareholder returns.

To wrap up this section, we've transformed our North America business into a strong operating company with a terrific portfolio of 14 leading-share brands and significant growth potential. Last year, net sales of our North America business was $1.1 billion, with mid-teens Adjusted EBITDA margins and an improvement of over 600 basis points over the last two years. These brands have collectively gained market share, grown consumption, and on the get-bigger brands where we've been investing to drive profitable growth we have significant momentum. Compared to two years ago, pre pandemic, our consumption is up over 16% in the most recent 12 weeks, and our average items per store are up over 10%.

We are well positioned to grow from here. We are clear leaders in health and wellness, participating in categories that attract more affluent consumers, who are price-inelastic, and in categories that have consistently outgrown the rest of food for more than 15 years. We're very overdeveloped in the fast-growing e-commerce channel, with 11% of our sales there, compared to about 7% for the rest of the industry. Importantly, our businesses started in this channel long before mainstream customers realized health and wellness was an enduring trend. As a result, we know how to make money in this channel where big CPG companies often struggle, and we have strong customer relationships and marketing expertise that we believe gives us an advantage.

Finally, we have momentum. COVID has reawakening consumers' focus on living healthier; since the pandemic began, we've attracted millions of new consumers for the first time, and they're repeating at a very high rate. Our strong velocities and category-leading innovation are yielding significant gains in distribution within existing customers and with new customers. We have a productivity model that is creating funds for reinvestment and growth.

In short, we're in the right place and well positioned for the future.

The second topic I want to discuss today is our international business. It's an exceptional business with tremendous performance upside. We have 10 international brands that are number one or number two in their respective high-growth categories. Our brands collectively have great margins and our team's very experienced and understands how to build brands profitably.

We've adopted the North America playbook that's also driven significant margin improvement in the international business. To date we've consolidated three operating entities, sold four businesses, and eliminated several hundred unproductive SKUs. We've strengthened our capabilities by creating one supply chain organization, under a newly-hired seasoned leader, adopting the North America productivity processes and finding global synergies. We've created an ROI-focused culture that has significantly reduced costs in a number of areas. We've built the foundation for growth by segmenting the brands and reallocating resources to the priorities. We've also invested heavily in capacity to enable our future growth. With strong brands, momentum and growth potential in our international business, we've refocused the Hain 3.0 strategy on our biggest growth opportunities globally.

Now let's pivot to talking about how Hain 3.0 will deliver a focused high-growth global food and beverage company that's also highly profitable.

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You'll recall that Hain 2.0 moved us from a complex holding company of 55 brands to a much simpler and more focused operating company. Hain 3.0 now focuses on delivering industry-leading growth; with a strong foundation now in place, we will migrate our focus from profit growth and margin expansion to industry-leading sales and profit growth; from a focus on simplification to establishing cohesion. Said differently, being a bigger fish in fewer ponds; from shrinking the Company to building growth organically, with targeted M&A in priority categories; from generating productivity to restore profit to driving productivity to fuel growth; from eliminating unproductive SKUs and consolidating around products that have earned their space on the shelf, to increasing household penetration and buying rate to drive velocities even higher; from consolidating investment behind higher potential brands, to increasing investment to accelerate our global growth.

What you will see in Hain 3.0 is a company that migrates to a high-growth business. In 1.0 we had declining sales and profit. In 2.0 we restored and stabilized the top line and generated significant profit improvement. Hain 3.0 builds an industry-leading top line growth company with continued margin expansion and double-digit profit growth.

You'll note that this slide says "achieve by fiscal year '25." While that's our commitment, our intent is to deliver consistent high single digit growth well before '25. As we guided, you should begin to see much higher growth starting in the second half of this fiscal year.

With respect to Adjusted EBITDA, we expect to deliver near double digit growth consistently throughout the journey, and implied in the algorithm is continued margin expansion.

In doing so, we've re-segmented the brand with a more global view to where we have the most growth potential. As a result, we're migrating from a strategy focused on rejuvenating North America behind a construct of "get bigger and get better" to one that focuses on growing global brands in categories where we think we have the most potential.

The first category is called turbocharged growth. I'll walk you through the brands in each category in a few minutes, but the turbocharged brands are leading-share brands in very high-growth categories. In Fiscal '21 they were 40% of our total Company sales, up from 28% in Fiscal '19, and they were also 41% of our profits, with strong high-teens profit margins.

The second set of brands is called targeted investment. This category is made up of leading-share brands in lower-growth categories. To date we've demonstrated our ability to drive share and reinvigorate these categories, and we expect that we can continue to do this in the future. These brands are 33% of our total sales, up from 28% in Fiscal '19, and they deliver 37% of our profits, with high-teens profit margins.

The next category is fuel for growth. These are stable brands with mid-teens margins, and will be used to fuel investment in the turbocharged and targeted investment categories. They represent 19% of sales, similar to where they were in F'19, and they deliver 16% of Company profits.

The last category is simplify. These are brands that are declining, have low margins, and likely will be exited over the course of the next several years. They represent only 8% of our sales, down from 26% of total Company sales in Fiscal '19, and they collectively deliver only 7% of the Company's profits.

When looking at this 3.0 construct further, you'll first notice that we've separated our growth businesses into food & beverage and personal care. We're separating out personal care because over time we expect that we will further simplify our Company by consolidating into a pure play food company. That said, our personal care business is a great business, with significant growth and profitability opportunities, where we can create a lot more value. As a result, we will selectively invest in personal care and continue

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to drive shareholder value and growth until these brands are worth more to someone else than they are to us.

The turbocharged brands are made up of plant-based meat and non-dairy beverages as well as snacks. The meat and dairy alternatives are concentrated outside the U.S., while the snacks businesses include brands both within the U.S. and in international.

The targeted investment brands are made up of tea, baby, yogurt, and personal care. Compared with Hain 2.0, you'll notice that baby is now one of our growth focus areas, due to its strong brands, scale, profitability, and growth prospects.

Fuel for growth brands are made up of premium pantry brands with scale in categories like soup, cooking oils and almond butter. The simplify brands are subscale declining businesses that have limited long-term potential in our Company, and therefore will be managed for profit until they're divested.

In Hain 3.0 we'll move from strategies focused on simplifying the organization and rebuilding the foundation to growth strategies funded by continued high levels of productivity. In total we've identified more than a billion dollars of organic top line growth opportunities in the areas of distribution, innovation, and marketing, and are actively pursuing them in a prioritized fashion. The magnitude of the opportunity gives us high confidence in our ability to achieve consistent 6% to 9% top line growth over time.

I would be remiss if I didn't also mention that M&A is expected to play a role as well. As we continue to simplify the organization and consolidate sales into fewer priority categories, we expect to make targeted acquisitions to help us further strengthen our position in categories that we have the right to play in, develop portfolio cohesiveness, and accelerate the growth of our 3.0 strategy.

We believe it's a pretty exciting strategy and algorithm, and one that we are confident will continue to deliver industry-leading returns for our shareholders.

With that, let me now bring up Wolfgang Goldenitsch, the CEO of most of our international business, followed by Chris Boever the Chief Commercial Officer of North America. Together they will bring our global growth strategies to life.

Dr. Wolfgang Goldenitsch

Good morning, everyone. Due to COVID travel restrictions I cannot be there live with my colleagues. Today I am speaking to you from our European office.

As Mark just mentioned, a significant part of our growth going forward will be in the turbocharged category. This group of brands is concentrated in meat-free and dairy alternatives, and snacks.

Across Europe and North America, we have many brands with leading market shares in their respective health and wellness segment. Together, these brands delivered approximately $750 million in annual sales in fiscal '21, which was more than one third of our total Company sales. We also have attractive Adjusted EBITDA margins in the high teens, making these brands critically important to our 3.0 strategy.

Combined, the meat-free and non-dairy brands have grown more than 18% over the past two years, and increased market share by more than a full point since the beginning of the pandemic.

Let's break down these categories one at a time, starting with meat and dairy alternatives.

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Plant-based is one of the most dynamic areas in food today, and even after years of strong growth it still has huge potential as plant-based nutrition becomes more mainstream around the world.

In meat-free, we have two strong brands: Yves, which is the number one chilled brand in Canada, and Linda McCartney, which is number two frozen brand in the U.K. They also have a presence in 15 other countries. Both of these brands are around more than 30 years and are considered pioneers in the category. With so much heritage behind them and years of perfecting their formulas, both are considered among the best-tasting plant-based brands. In fact, Linda McCartney brand recently was named the U.K.'s best-tasting vegetarian mince brand, and was more trusted by consumers in the recent survey than nearly all the other U.K. competitors combined.

The European plant-based meat alternative market is already larger than $2 billion, with business around 4% of total meat sales. It is expected to grow double digit over the next (inaudible), making it a substantial opportunity for Hain.

Over the last several years, we have focused both Linda McCartney and Yves on expanding their offerings to attract new consumers and get existing users to buy more often. As a result, we have delivered consistent growth with 10%, with attractive margins. On Linda McCartney, where we have been particularly aggressive, our total distribution points are up 33%.

Looking forward, we believe we have at least $150 million distribution opportunity, focused in two areas. First, the meat-free section is very large, and there are significant opportunities to drive our average items per store and penetrate new stores. One way to do this is by leveraging our retail relationship with a private label meat-free supplier to gain space and merchandising on our branded products. Second, we see significant geographic expansion potential, especially on the European continent.

The Linda McCartney brand is a proven business model, and we've recently added significant capacity to facilitate the growth. We have started expanding into new countries, like Austria, and plan to enter more over the next several years.

Shifting to innovation, as the market expands rapidly, we see at least $100 million growth opportunity. As more consumers enter the category, there are lots of innovation opportunities, with new flavors and forms. Here are some recent Linda McCartney launches of mainstream flavorings, delivered in a plant-based form and a lower price point to attract new users.

As a global plant-based company, we also have created centers of excellence to capture synergies across businesses. Within innovations, Yves is strong in chilled segment of plant-based meat, and Linda McCartney strong frozen. By sharing innovation across geographies, we can rapidly enter new segments and attract new users.

As a better recent example, Linda McCartney has 21% share of the U.K. frozen meat-free segment, but less than 5% of the chilled segment. U.K. partnered with our Canadian business and developed 14 new chilled products, which will start shipping next quarter.

Over the next several years, we plan to invest in marketing to drive new consumers into that category and capture our fair share of categoric growth. As an example, the most important month to get new plant-based consumers into the plant-based category is January. We received significant interest from key retailers and plan to launch a new marketing campaign, supported by the McCartney family.

Assuming about $10 million investment over the next few years in campaigns, with solid return on investment, we believe marketing can generate $50 million of growth by bringing in new consumers and expanding consumption of existing ones.

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In non-dairy, Hain has been selling plant-based beverages in Europe for over 20 years. With sales in almost every European country and multiple factories, we are the third largest provider of non-dairy beverages. The non-dairy market is now $3 billion, and is expected to grow to $5 billion by ’25.

Over the past several years, non-dairy has driven significant growth for Hain in our categories, through innovation, which included new flavors, forms and benefits. In fact, our non-dairy beverage business has grown materially over the last two years, and we have added significant capacity to ensure continued growth. Margins have expanded to over 20%.

Over the next several years, we have already identified at least $150 million of new distribution potential. While we will continue to expand our distribution and our space in our core market, we see an even bigger opportunity to expand geographically. We currently distribute throughout Europe, but are much more deeply penetrated in Central and Eastern Europe. As we expand investments and resources into Southern Europe, it could generate as much as $100 million of growth. In the U.K., just started selling non-dairy beverages under the Linda McCartney brand, and have already received acceptance from several of the top retailers.

Innovation had always been a core focus, a key driver of our success. As an industry leader, we’ve pioneered segments like (inaudible) for the entire industry, and just launched our first oat organic for Eastern Europe.

In addition, we just recently introduced a line of protein drinks.

Given our expertise, we expect to continue driving industry-leading innovation across flavors, formats, and benefits.

Like the meat-free, we have significant sales potential by investing more in marketing. You can see here a few examples of our Natumi, Joya, and Linda McCartney campaigns.

Let me now turn it over to Chris Boever, who will talk about our snacks portfolio.

Chris Boever

Thank you, Wolfgang. That’s great progress and tremendous potential for Hain over the next several years.

I’m Chris Boever, the Chief Commercial Officer of North America.

Let’s start today with the fast-paced snacks category. Hain has a global portfolio of leading health and wellness snack brands that are well positioned, growing and performing well. In Fiscal ’21 our snacks brands collectively generated over $400 million of revenue, and have grown 10% over the last two years. In aggregate, they have mid-teens Adjusted EBITDA margins and are gaining share of their respective categories.

Healthy snacks is a very large category, comprised of many segments. Each segment has meaningful size and is growing. Our presence is broad, and also performing well, with numerous opportunities to expand into more fast-growing segments with better-for-you solutions.

Over the past several years, we’ve been growing our core distribution with category-leading innovation that attracts new consumers and expands our usage occasions. In fact, since the pandemic began, our household penetration is up more than 20%.

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For example, let's look at our Sensible Portions brand. It's the fastest-growing light snack over the past two years, with sales up 66%. Share is up 3.4 points; distribution is up 46%; and household penetration is up 58%, and repeat buyers are up 66%. In fact, since the beginning of the pandemic, Sensible Portions has gained more new households than all of the puffed and pop snack competitors combined.

To achieve this exceptional growth, we first launched our Screamin' Hot Sensible Portions Veggie Straws and brought young males into the healthy snacking category. These items have sold more than $10 million since the launch, and are highly incremental to the brand and category.

Given the success here, we've recently added Screamin' Hot versions of (inaudible) chips and Garden of Eatin' organic tortilla chips. Our new line-up of Veggie Puffs tastes great, they're low-calorie, and they're poppable, extending our brand into a new segment. It has attracted both new users and led our existing brand users to buy more, as these products were over 50% incremental to the brand.

We've further utilized our manufacturing and R&D capabilities to launch a kid-friendly size and flavor of organic puffs under the Earth's Best brand. So far this quarter, more than 30% of our growth on Earth's Best has come from our Veggie Straw and Puff innovation. This is another great example of us taking winning ideas and applying across multiple brands for different consumers.

Next, we added formats like multipacks and family sizes along with display-ready cases to drive in-store execution and reduce labor costs for our retail partners. These kind of tactics have driven tremendous growth on Sensible Portions, and are now being extended to other brands both here and in Europe.

Lastly, we renovated a number of products to better meet consumer needs and address barriers to consumption. On Garden of Eatin', that meant a tastier thinner chip. On Terra, it meant reducing the breakage.

In total, our distribution, our innovation and marketing support are working hard across our entire portfolio, and household penetration has increased by 15%, with repeat purchases up 23%. The sales growth has accelerated significantly, with increased brand investment, while also materially improving our margins. We are pleased with our performance and even more excited about the future. Our distribution levels have been growing by double digits, with tremendous upside as we gain broader availability. At existing customers, we have an opportunity to grow our ACV and items per store by 50%, and in new channels we have several high-volume dig sites to make our products more ubiquitous.

In total, we have more than a $200 million opportunity over the next several years.

We have built the innovation capabilities and the processes to deliver margin-accretive SKUs and sublines that will be highly incremental to the category and the brand. Things like wavy chips and peanut butter and jelly snack bites seen on this slide gives us high levels of confidence in what and how we are building out the solutions to capture an opportunity of at least $150 million.

We have numerous ideas in the pipeline, incorporating new flavors, forms, and segments. That will broaden our reach and overall leadership.

We've increased marketing support to strengthen our brand awareness and affinity, and expect to continue to increase investments going forward.

We have developed partnerships with properties that are strengthening our brand perception, driving incremental purchases, and strengthening our connectivity with consumers and customers.

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Snacks consumption is expandable and purchases are often unplanned and not on the shopping list. Therefore, we have been creating seasonal marketing events to capture our fair share of holidays like Halloween and football season. These events bundle our brands together to drive bigger displays, more disruptive in store presence, and increasing the efficiency of the investment.

Lastly, a significant portion of our spending is digital, social, mobile media across all of our snack brands, to drive awareness, trial, and brand positioning. To date, our marketing ROI has been above the industry norms, giving us confidence to increase our investments. Those investments span mainstream media and e-commerce, where Hain continues to be highly developed. In fact, in e-commerce where our snacks are highly developed, our business has grown 75% over the past two years.

Our next set of brands fall within a grouping called targeted investments. It's made up of tea, baby, yogurt, and personal care categories. Our brands are category leaders, and have shown an ability to grow the categories and gain market share. Collectively, these brands generate annual sales over $600 million and deliver high margins. While growth has been modest, we've demonstrated the ability to bring new users into the category and have picked up considerable share over the last few years.

We've been renovating the brands by improving product quality, contemporizing packaging graphics, and one example is on Alba, our largest personal care brand. Its recent package design improvement created a unified look, improved our shelf presence, and broadened consumer trial across segments. This packaging redesign has helped drive 20% consumption growth with distribution and velocity of double digits since it was implemented just last quarter.

Our innovation has expanded our reach on our Greek Gods yogurt as well, with new flavors like pumpkin spice, cookies and cream, and Belgian waffle; new packaging sizes like multipacks and new single serve; and new benefits like keto, low sugar.

We've expanded our brands with new benefits for sensitive skin on Jāsön or on Celestial Seasonings with wellness, energy, and probiotic teas.

All this category-expanding innovation has been supported with robust marketing in store, e-commerce, and on social media.

Going forward, we see significant opportunity to build out our distribution for our brands; we see three primary opportunities to deliver this; first, we must continue to grow our core channel distribution, where we have opportunities to increase both ACV and average items per store; we will leverage a combination of our accelerating velocities, in store merchandising, customer marketing, and strong partnerships with our retail partners to increase share shelf.

Second, we also see opportunity to expand into underdeveloped channels, such as food service for Celestial and drug for our entire personal care lineup.

Third, with North America now fully integrated into one operating unit, we have opportunities to bring more brands to Canada, and with global centers of excellence we will also expand further in the U.K.

Innovation will continue to be a driver of growth going forward. We are innovating in a targeted manner and have multiple opportunities to expand offerings in existing segments and enter new segments with new benefits. While we won't reveal our pipeline today, our recent launches are indicative of our capabilities and the breadth and depth of our pipeline.

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For example, within the conventional personal care segment, approximately 50% of the revenue in the hair and body categories consists of fresh and clean fragrance. It did not exist in the better-for-you segment until we recently launched a platform of Alba Ocean Surf Fresh and Clean.

On Jāsön, we are currently entering the fast-growing men's segment, a previously untapped consumer segment in our personal care portfolio.

Celestial Tea recently launched Cold Brew, where the consumer can enjoy a great-tasting, great value, convenient to prepare, glass or pitcher of iced tea in minutes, without heating water. That comes on top of launches in K cups, wellness tea, and entering into the black and green segments of the category.

On baby, Earth's Best is the number one baby formula and a leading organic brand in the U.S.; Ella's (phon) Kitchen is the dominant baby food brand in the U.K. with 36% market share, more than twice the share of its next biggest competitor; and we also have the exclusive license to Sesame Street brand, giving us considerable opportunities for growth.

Going forward, we will continue to expand with new flavors in our existing formats, and are aggressively pursuing new formats such as kid meals.

Strong leading brands in solid categories provide us numerous opportunities to invest in marketing both in store and in social media.

At Hain, rather than marketing budgets being allocated based on what was spent the previous year, budgets are earned. We invest in the best ideas, encouraging and rewarding marketers and agency partners who create the most impactful campaigns with the highest ROI.

Moving on from our growth brands, our next grouping are the fuel brands. These fund our growth investments. We have a terrific set of premium health and wellness pantry brands, like Spectrum cooking oils, our three leading share soup brands in the U.K., and MaraNatha almond butter, that are well positioned to capitalize on the resurgence of in home cooking. These brands have scale, they're stable in sales, with very strong margins, we are focused on continuing to expand those margins while maintaining sales with scrappy relevant innovation along with space expansion in core channels and customers.

The last grouping is our simplify brands. Our goal here is to maximize value and exit these brands over time. During Hain 2.0, we shrank this group from 26% of the portfolio down to just 8% while significantly improving the profitability. Eliminating underperforming brands like these will further simplify our Company and improve our growth rate and margins.

In summary, we are excited about our global strategy and the identified growth opportunities totaling more than $1 billion. We've demonstrated ability to grow distribution, create breakthrough innovation, and develop compelling consumer marketing campaigns.

Hopefully you now have a better understanding of the strength of our portfolio, the opportunities that we have in front of us, and the focus areas that have the largest growth potential.

Let me now turn it over to David Karch, our Chief Transformation Officer, to share details on our productivity program, which has delivered considerable margin expansion to date and will fund our growth investments going forward.

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David Karch

I'm David Karch, the Chief Transformation Officer of Hain Celestial, responsible for driving the productivity process and culture at Hain.

As Mark showed you earlier in the presentation, we have an ambitious growth agenda, with productivity funding the investments needed to realize our potential.

Transformation done the right way is about defining what the future state of the business needs to be, and identifying the gaps to get you to that future state.

Hain 2.0 brought to the Company a disciplined structure, defined processes, and a productivity and program management system that brought visibility and accountability to the organization.

We had lots of ideas, but no ways to prioritize them, organize them, evaluate their contribution to the business, or put them into execution mode. This is what has changed and why it is working.

Today, team members get real-time access to project work flows, and they have clear visibility of their role in overall project success.

We've provided new tools as well, to support processes like productivity ideation, product redesign, organizational redesign, and kaizen and lean initiatives in our plants.

How have we done in Hain 2.0?

Our disciplined approach has been delivering industry-leading productivity of 4% of sales annually.

Since our transformation began, we've completed 300 projects that have yielded over $100 million in permanent cost reductions to the business. Projects have included consolidating operating entities, manufacturing locations and warehouses, redesigning products, eliminating unproductive brands, SKUs, and low ROI spending, outsourcing back office functions, and introducing lean operating principles in our supply chain. This has led to over 500 basis points of margin improvement, with $60 million coming from supply chain costs and $40 million in SG&A costs.

The good news is, we still have a long runway in front of us.

After the successful launch of our transformation processes in North America, we've now taken the same playbook to Europe, and are generating considerable additional savings.

While we have executed a lot of projects and executed most of the low-hanging fruit, there are still significant savings opportunities ahead. We have identified an additional 300 projects for Fiscal '22 and '23 worth another $100 million in savings. These are not wish list projects and we aren't pioneering new things the industry hasn't already executed. These are focused, targeted, detailed projects that will further our progress toward becoming world class operators, while generating significant savings and margin expansion.

In addition, they will help alleviate some of the supply chain challenges we are facing across the industry. For example, we have active projects that reduce the number of trucks we need by consolidating orders. We have projects that automate our plants and reduce needs for additional labor. Projects that simplify our formulas to reduce the number of suppliers we use and reduce our reliance on single sources of supply.

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Importantly, we also aren't running out of ideas, and we fully expect we will continue generating hundreds of additional projects over the next several years that deliver about $50 million of savings per year. In total, that's about $200 million of anticipated savings from Fiscal '22 to '25, which will drive continued gross margin expansion. Our Hain 3.0 financial algorithm assumes that some of that savings will be redeployed into the marketing and innovation increases that Wolfgang and Chris identified earlier, and some will drive continued EBITDA growth.

Let me now introduce Javier Idrovo, our CFO, who will give you more details on how this all comes together in the 3.0 algorithm.

Javier H. Idrovo

Thank you, David, and good morning to everyone. Let me start by explaining our Hain 3.0 algorithm. So far today, our speakers have talked about driving accelerated growth in our turbocharge and targeted investment brands. We expect that the fastest-growing brands will be the turbocharge group, which would ultimately achieve top line growth of 10% to 13% with Adjusted EBITDA growing 11% to 14%. For the targeted investment brands, we're expecting 3% to 6% growth, which implies share gains, and Adjusted EBITDA growth of 4% to 7%. In total, we expect 7% to 10% top line growth for the combined growth brands, with Adjusted EBITDA growth of 9% to 12%. This is a significant acceleration in our top line, and we will take time and investment to deliver it. Between now and Fiscal Year '25, we expect continued steady top line improvement, with the goal of getting to the end state sooner, just as we did in Hain 2.0.

When we combine the growth brands with the fuel and simplify brands, the total Company projected growth rate drops slightly to 6–9% top line growth and 8% to 11% on the bottom line. Please note that this implies two things. One, we will divest the simplify brands over the next several years; and two, the bottom line is growing faster than the top line because we expect gross margin expansion from robust productivity combined with pricing and revenue management that more than offsets inflation. Some of that margin growth will be reinvested in the brands, and the remainder going to deliver the expected bottom line growth.

When thinking about the portfolio changes over time, we expect the growth brands to be 84% of our sales and 87% of total Company profits by Fiscal Year '25. The turbocharge brands, which are the fastest-growing part of the Company, are expected to be more than 50% of our sales and profits. The fuel for growth brands, which should remain relatively stable over time, are expected to be a smaller percent of the total Company by Fiscal Year '25, with 16% of total sales and 13% of total profits.

The simplify category of brands, which have become a much smaller percent of our Company since Fiscal Year '19, currently represent about 8% of total sales. While these brands have improved in profitability in the last several years, we expect to divest them over the next few years.

Now let me take a few minutes to talk about shareholder value creation during Hain 3.0. We are confident that the strategy that we have laid out for you today, coupled with our strong operating performance, will deliver robust profitable growth and strong cash flow generation. We plan to use our cash flow and material balance sheet flexibility to take advantage of investment opportunities or to return capital to shareholders, in a way that will create superior shareholder value.

From Fiscal Year '22 through Fiscal Year '25, and consistent with our planned EBITDA growth, we expect to generate close to $1 billion in operating cash flow, resulting in free cash flow of about $700 million. Given our Adjusted EBITDA growth and today's low net debt levels, we also expect additional net debt capacity of about a billion dollars, assuming a three to four times net debt leverage ratio, leading to almost $2 billion of available capital to invest and enhance returns for shareholders.

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The Company's capital allocation philosophy is to deploy capital to its highest and best use. We, in conjunction with our Board, routinely evaluate all opportunities to create value with our cash and balance sheet capacity. All the investment opportunities, whether internal or external, are benchmarked against each other on a risk-adjusted basis, as well as against the value of investing in our Company through share repurchases or distributing capital through dividends.

To give you more color on our capital structure and investment philosophy, we believe that a long-term capital structure of three to four times net debt over EBITDA is appropriate given the consistency of consumer staples businesses and in line with the CPG average.

As it relates to internal investment opportunities, we seek to disproportionately invest in projects that will improve our operational efficiencies or enable future growth. Now that we have solidified the foundation, you will see us look to enhance our growth brands through selective, high-return M&A. Our M&A will be focused on the growth brands, with particular emphasis on the turbocharge segment, with the aim of accelerating top-line and/or bottom-line performance.

Lastly, we are and will be active in repurchasing shares when our shares trade at attractive valuations. Absent incremental attractive investment opportunities, we could potentially return cash to shareholders via a dividend.

As you can see, over the last few years, our transformation has generated significant EBITDA and cash flow, which we have used to materially de-lever. This has resulted in a very healthy balance sheet, and given our expectations to continue to generate strong free cash flow, we remain well-positioned to both reinvest in the business and return value to shareholders. Consistent with our capital allocation principles and pursuant to the share repurchase programs authorized by the Board, in the current quarter, we have already purchased more than $155 million of our shares at an average price below $39 per share.

You may be wondering how our Fiscal Year '22 plan ties to our Hain 3.0. Well, in fact, Hain 2.0 really wasn't scheduled to end until the second half of this fiscal year, so we're viewing this year as a bridge year between the 2.0 strategy and the 3.0 strategy.

With only a few days left in the first quarter, let me reaffirm our Q1 and full year Adjusted EBITDA guidance. On the top-line, while we are not updating our sales guidance for the full year, we are tracking slightly ahead of our guidance for Q1 and are confident we will deliver strong top-line and bottom-line growth in the second half of the year.

That said, I also want to remind you that our Fiscal Year '22 performance by halves is not uniform. As we discussed in our earnings call, we anticipate that our first half will be more challenged than the second half due to industry-wide inflation and labor challenges, as well as bigger COVID lockdown overlaps. As we enter the second half of Fiscal Year 2022, our pricing actions will be fully implemented and we will see our growth rate accelerate from already approved incremental volume-generating events in the club channel and less of a COVID overlap.

We are also seeing significant momentum in our performance, giving us additional confidence that our second half will deliver strong profitable growth and begin the top-line acceleration we anticipate throughout Hain 3.0.

With that, let me turn it over to Kristy who will tell you about our ESG progress and goals.

Kristy Meringolo

Thanks, Javier.

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Good morning. I'm Kristy Meringolo, Hain's Chief Legal Officer and the Executive Sponsor for the Company's environmental, social, and governance program.

I'm excited to share with you where we began, where we are today, and where we are headed on our ESG journey.

When our Company was founded in 1993, we set out with the objective that health and wellness should be at the core of everything we do. Today, even during this time of global uncertainty and reflection, we continue to create and inspire a healthier way of life for our employees, consumers, customers, stockholders, and the global communities in which we work and live.

Our healthier way of life platform is focused around three core initiatives.

First, a healthier planet - we strive to reduce our environmental footprint with a commitment to lessen our impact on resource scarcity and climate change.

Healthier products - we enable and inspire consumers to make better shopping choices and offer purpose-driven brands.

Healthier people - we engage and inspire our employees by creating a positive impact in their lives and in our communities.

We believe that purpose-driven growth focused around these core pillars is critical to our Hain 3.0 strategy and will help drive long-term value creation for all of our stakeholders. As a result, we continue to embed ESG in our culture through our processes, measurements, and individual performance expectations. While we've made great progress over the years, like other aspects of our transformational journey, individual functions and locations were at different levels of maturity with respect to our ESG program. We have some businesses like Ella's Kitchen and Cully and Sully that are certified benefit corporations and much further ahead on a journey. Our coordinated efforts incorporate the learnings from these leaders and align the entire organization around a common set of metrics and processes to maximize our progress.

This past week, we published our Fiscal Year 2021 ESG report which highlights our current progress as a global company. This report provides an update on many of our key initiatives on a global, regional, and brand level, and outlines the prioritized areas of focus for the whole Company. As part of this report, we collected greenhouse gas emissions data, including our scope 1, 2, and material scope 3 emissions. This work will help inform the action steps we take throughout the next decade and beyond to address the climate crisis and reduce our environmental footprint. We took the important step of committing to a long-term, science-based target and aligning with a third-party organization, SBTi, to verify and approve the goals we will set in connection with this commitment. We also established our Fiscal 2022 goal that set the foundation for the next steps in our ESG journey.

The first step in ensuring progress against our goals is embedding ESG into all of our processes, projects, and performance metrics so that it's not a separate initiative, but something integral to the overall success of our business strategy. To do this, we have created measurable goals for which we are holding ourselves accountable through a performance management process. Our goals are aligned to three core areas of focus: one, a healthier planet; two, healthier products; and three, healthier people. In setting these goals, we sought to focus on the areas where we can drive impactful change and the areas that are most core to our business strategy.

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In addition to our environmental goal, we have focused on the continuous improvement to the products we develop, source, manufacture, and sell. While health and wellness has always been at our core, as part of our goal, we have committed to setting healthier product standards that will inform all of our decision-making around suppliers, ingredient selection, and innovation.

Finally, our goals also focus around our commitment to our employees and our global communities. We recognize that our employees are critical to our ongoing success, and we value diversity and inclusion at all levels in our organization.

Our goals also focus on giving back to the communities in which we live and work. We have done a lot of work supporting our communities historically, and specifically during the pandemic.

In conclusion, we are excited about the progress we are making and look forward to driving continued momentum. For more information on our ESG reporting commitments, please refer to our website, and now, I'd like to bring Mark back on stage to summarize for you.

Mark Schiller

Thank you, Kristy.

As you can tell from our presentation today, we've delivered strong results and believe we are building a differentiated and advantaged company with a plan to deliver industry-leading results. Hopefully by now you're as excited about Hain's future as we are. We have the right brands in the right categories supported by a great team to deliver exceptional growth. We look forward to delivering strong results again this year, with accelerated growth over Hain 3.0's journey.

Let me wrap up by thanking all 3,000 Hain employees who've excelled consistently in a very turbulent environment. They've pulled together and delivered our Hain 2.0 transformation ahead of schedule, and have created the foundation for continued success. With their help, I'm confident that Hain 3.0 will continue our momentum and set our Company up to excel for many years to come.

Anna Kate Heller

That ends the presentation portion of the Investor Day. We will now turn to your questions. We received a lot of questions during the presentation, but for those of you who didn't, you can submit a question in the box on the left side of your screen now and we will try to get to as many as possible.

Our first question: you've laid out a very impressive and ambitious top-line growth agenda. Can you tell us how the growth brands are currently performing and what will enable acceleration from here?

Mark Schiller

Thanks for the question. This is Mark Schiller.

We are seeing double-digit growth on the growth brands today versus two year ago, the highest growth being in the plant-based businesses around 18%. The Snacks brand's around 10%, and then on the investment for growth brands, we're seeing low-to-mid single-digit, so very nice growth on a two-year basis, with a lot of momentum.

Why don't I turn it over to Chris to talk a little bit about some of that momentum in North America, and then Wolfgang, why don't you chime in on international?

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Chris Boever

Yes. Thanks, Mark.

Yes, we're really excited about our innovation pipeline, in addition to the fundamental execution that we had as opportunities in front of us, especially post-pandemic as the retailers are opening up and reviewing assortment and working the operational side of in-store opportunities, so we are gaining GDPs. You can see it in the data, and as that continues to deliver on that space that we are earning, we fully expect that will continue with that growth on a distribution standpoint, and then in addition to that, we're innovating with lots of different flavors that are relevant, more approachable, and we're going to make our products more findable in store, and we really like our proposition of bundling our brands together on the snack side.

Mark Schiller

Wolfgang, you want to talk a little bit about international?

Wolfgang Goldenitsc

Yes. Thanks, Mark, and let's give you some examples from international.

Ella's Kitchen's growing at twice the market rate, currently at plus 20% year-on-year growth, and this is due to strong marketing, and we launched our incredibility's campaign, and we have started to talk about the good stuff to do all over (inaudible) innovation, certainly, and distribution gains in our major accounts both in U.K. and in Europe. (Inaudible) have increased our household penetration significantly by 27% as a year ago, and our distribution points by 20%. This is getting market share in our core frozen segment during the last week despite the COVID overlap, and as I mentioned in the presentation, we are ready now with our chilled line expansion, (inaudible) Austria this summer with Linda McCartney and are listed across the stores of the biggest retail in Austria, and in non-dairy, we just launched four SKUs, and the Linda in U.K. which includes all the organic (inaudible), which is (inaudible) very successful (inaudible) on the continent.

Mark Schiller

Very good.

Anna Kate Heller

Next question is, your top-line and bottom-line end state have pretty comparable growth. Can you lay out what that means for gross margin and investment in your brands to accelerate growth?

Mark Schiller

You want to take that one, Javier?

Javier Idrovo

Yes.

Just by way of background, we said—shared this with you during our prior call. We expect pricing to offset inflation and productivity to be used for reinvestment, so as a result, we should see, as part of Hain 3.0, continued gross margin expansion based on the strong productivity agenda, and as the environment

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normalizes, we do expect to get to 30% gross margin, up from the roughly 26% that we delivered last year.

Mark Schiller

Yes. I would just add that in the Hain 2.0, we took the productivity largely to the bottom line to restore the profitability of the business. In Hain 3.0, it will be a balance between some of it getting reinvested in driving top-line growth and some of it being returned to the bottom line.

Anna Kate Heller

Next question is, you've talked about actively looking at potential acquisitions, yet in this quarter, you repurchased over $150 million of shares. Does this imply that you aren't likely to make any acquisitions in the near term?

Mark Schiller

I'll let Javier chime in in a second, but what I would say is we are very active in the market looking at acquisitions. Obviously, it takes a buyer and seller to agree on valuation. There are some interesting assets available. We do have a lot of flexibility in our financial algorithm and balance sheet to be able to make acquisitions, and we are focused on acquiring businesses in the growth categories; in particular, in the turbocharge categories, which are the highest growth categories and a place where we want to become a bigger fish over time, so with that, why don't—Javier, why don't you talk a little bit about our balance sheet and how we allocate capital?

Javier Idrovo

Yes, so just to add a little more color to what Mark said, our balance sheet remains very strong, so even after purchasing shares during the quarter, we think that we're going to finish the quarter at about 1.7 times leverage. That would be gross debt leverage and about 1.3 net debt leverage, and that's using the EBITDA as measured by our credit agreement, so we have plenty of firepower to do acquisitions, and as Mark said, we're actively pursuing transactions during the quarter, and will be, as well, during the year.

Anna Kate Heller

Our next question is, I'm hoping to clarify what it means to grow sales 6% to 9% by Fiscal 2025. Is the 6% to 9% sales growth target organic, or does it include M&A, and is the implication that from 2025 on, you are expecting average annual sales growth in this range or is it more of a one-year event, and how should we think about sales growth before 2025 and what ranges we should consider?

Mark Schiller

Yes, so Javier, again, I'll let you chime in in a second.

The algorithm that we presented is organic growth. That's given the high-growth potential of the turbocharge businesses and the growth of those categories, given the share growth that we believe that we will be able to continue to gain in the growth categories. When you look at the slide that shows the algorithm and how it's laid out, that is all organic growth inclusive of all of the brands that we own today, so that includes PC. It includes exiting the simplified brands as well.

With regard to M&A and how that plays in and the sequencing and what it means in '25, why don't you take that part of the question, Javier?

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Javier Idrovo

Yes, so the growth rates that we shared with you in the presentation are the growth rates that we expect to achieve in Fiscal Year 2025. The expectation would be that as the years go from 2022 to 2025, to expect continued steady, top-line improvement. We are really not making any kind of forecasting beyond 2025, so that's really how we expect the algorithm to work from now until the end of the Hain 3.0 period.

Anna Kate Heller

Our next question is, how does potential divestiture of personal care factor into the growth algorithm or sales rating?

Mark Schiller

We have assumed for the length of the 3.0 strategy that we continue to be in the personal care business, so it is embedded in our algorithm and it is a brand that we will selectively invest in with the other investment brands.

That said, at some point during that journey, if we opt to exit that brand, we will factor in the implications of that and direct you at that time, but as I've said on previous calls, it's a great business with a lot of upside. It was under-managed prior to the transformation. We had lost about a thousand basis points of margin. We've gotten about 600 points of that margin back over the first two and a half years of the transformation journey. We're going to see very significant growth in the second half of the year on that business, so we like it. It's a great business, but it is a complex business and it doesn't have a lot of synergies with the rest of the portfolio, and in the spirit of us being a great operator and a simpler Company, at some point, we may address that and go to a pure-play food company, but in the meantime, there's plenty of opportunity that is embedded into our algorithm and there's a lot of focus in the organization to continue to add that value over the next several years.

Anna Kate Heller

Next question is what portion of incremental productivity is planned to be reinvested versus falling to the bottom line?

Mark Schiller

Yes, so as I said earlier, it's going to be a balance between how much margin expansion we get from the productivity and the pricing that will offset our inflation. Some of that will go to the bottom line. Some of that will go into marketing. The numbers in the presentation, basically, for every $10 million of incremental investment in marketing, we'll get about $40 million of incremental sales, and so hopefully, we will make significant investments over time. That's our intent, and as we do that, that will be an accelerant to the top-line, but why don't—Dave, why don't you talk a little bit about the productivity journey, why we're so confident in our ability to continue to expand margins, and where we're focused?

David Karch

Sure. Thanks, Mark.

As I said in the presentation, we have a very disciplined process, with the program management system overlaid to make sure that we're well on top of all our projects. We've got the structure of the organization aligned to our pillars, so everyone has clear visibility of how the individual pillars are performing. We're

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doing a lot of things; consolidating trucks and closing distribution centers. Just in the last quarter, we've closed a number of distribution centers. We're simplifying the portfolio to allow us to get more focus on our supply chain. Simplifying the portfolio includes less ingredients in our packaging, less ingredients in materials that we use, which allows us to get a much more targeted focus on our supply chain, and we're doing things to—we're powering more productivity people. We've got so many projects that we need to get to that we know of, that we're going to bring on more productivity people, especially at our plants, to drive the productivity agenda there, so I see a long runway in front of us to continue to drive a lot of changes.

Anna Kate Heller

Next question is, you speak to nearly $2 billion in cash available through Fiscal 2025 to enhance shareholder value, but this doesn't include divestment from the simplified personal care brand. Given the willingness to increase leverage from here in divestment, it seems that you should be well above your $2 billion in cash forecast. When you think about ongoing acquisition activity, do you foresee that piece playing out later in the three-year plan post divestment, or would you be willing to lever now for attractive acquisitions? Also, should we assume these acquisitions would target your alternative meat/dairy snack focused areas?

Mark Schiller

Yes, so Javier, why don't you take that?

Javier Idrovo

On the targeting of the M&A, like Mark said, the focus is on the growth brands, and particularly on the turbocharge brands. As it relates to the amount of cash that would be available to return to shareholders or to do additional M&A, yes, the forecast that we laid out was on an organic basis, so any divestitures would actually bring more cash into our balance sheet, and then allow us to, obviously, have more firepower. At the same time, depending on the brands that are being sold, that would also lower our EBITDA, so yes, theoretically, we would have more firepower if we end up conducting sales—I'm sorry, divestitures between now and Fiscal Year '25.

Mark Schiller

Yes, and just the last part of your question on are we willing to lever up. Absolutely. I mean, our intent is to run a clean balance sheet and always have flexibility, but as you know, we have a very low amount of debt right now, and so for the right opportunity would we increase leverage? Absolutely. We're a cash-generating business, and you could see from the chart that was in the deck that we will generate significant cash over the course of the next three years before you even factor in divestitures, so yes, we would be willing to lever up as appropriate.

Anna Kate Heller

Next question is, given the guidance you just gave on Q1 2022, what's changed between Q4 2021 and Q1 2022?

Mark Schiller

Yes. Let me take that one, so since Q4, on the cost side of the equation, a lot of the crops had not yet come in when we did the Q4 earnings because the crops are obviously very seasonal. We have seen

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some additional inflation coming in on crops, particularly in Europe where it's been fairly inflationary, and therefore, we are going to take pricing, but that pricing won't hit until the second quarter of the year.

That's one change that certainly has added some more pressure on the P&L, but on the flip side, we've made good improvements on solving some of the labor challenges that we've had, finding backup sources of supply to ensure that we service our customers well, and we've seen considerable acceleration in our consumption, and if you're watching the consumption data here in North America, there was a report that came out this morning that compares two-week periods of time. In every single two-week period since the beginning of the fiscal year, we've seen an acceleration in our top-line, with the most recent two weeks being up close to 10%, including all of the brands. Obviously, the get bigger growth brands that we're focusing on are growing at an even faster rate, so we're encouraged by the acceleration of the growth.

That's part of why we guided—gave clarity to our Q1 guidance that said that we'll be at the high end of the range that we gave you on the top-line, and we'll actually be a little bit closer to flat on the top-line where we had expected to be low-to-mid single-digit decline, but we will continue to deliver the kinds of EBITDA numbers that we were talking about, because there continues to be industry-wide pressures on the middle of the P&L.

Javier Idrovo

Just to add a little bit more color, if you are comparing Q4 versus Q1, there's also an element of seasonality on P&L, so that's the quarter where we ship the least amount of tea, which is a high-margin product for us, so that also plays a role if you're comparing Q4 versus Q1.

Anna Kate Heller

Next question is, discuss retailer acceptance of price increases, and the U.S. and consumer acceptance. Any categories where price increases will be less accepted right now?

Mark Schiller

Chris, why don't you take that?

Chris Boever

Yes. Thanks for the question.

I would say that we've gone through two rounds of pricing. First one was at the start of our fiscal year. The second one started in September. We have been very successful in negotiating and executing. You're starting to see that reflected in the—at the shelf now for the retail price. Early indicators from the first round that we took in July would give us a lot of confidence, especially around the elasticity and the response rate to that pricing change, and early indicators now, although very early, for retail pricing and the overall selling and execution are very promising for the second round as well.

Mark Schiller

Yes, and I would just add in international, because we got the inflation later, we're having those conversations with retailers now around pricing, and you'll see that pricing hit in the October/November timeframe there.

Anna Kate Heller

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Next question is, you've said you expect $600 million in distribution gains, which is the biggest driver of future growth. What are you seeing in Europe that gives you this degree of confidence that you can win? Are the brands that currently exist in your categories particularly weak? To assets more broadly, what gives you the right to win in new geographies?

Mark Schiller

Yes, so let me answer it on a macro basis, and then, Wolfgang, I'll let you answer the specifics around international, but there are multiple components and huge opportunities for us within distribution.

The first, which we focused more heavily on in Hain 2.0, was just starting to fill out the distribution in the core channels that we're already in, and you'll remember during the pandemic, we lost the year with retailers not resetting shelves, so now that they're resetting again, if you look at the consumption data, you're seeing significant gains in TDPs and significant gains in average items per store, and so that Hain 2.0 hypothesis that we could significantly grow distribution is starting to come to fruition in a pretty meaningful way. That's the first opportunity.

Once you start to fill out your core channel, and we are far from ubiquitous yet in our core channel. We still have a lot of ACV opportunities. We still have a lot of opportunities to get more items on the shelf, but once you fill that out, there are plenty of other channels for us to go after. Personal care in drug stores; that's a big channel. Snacks in convenience stores or in sandwich shops is a big opportunity for us. Sunscreen in surf shops along the beach is a big opportunity for us, so there's lots of new channels where we are under-penetrated where we have significant opportunity as well.

Then, the third big opportunity that we laid out in the presentation was geographic expansion, and very relevant to Wolfgang's business because every country in Europe is a separate entity, unlike the United States, when you launch something, it goes into all of the states. In Europe, you have to address one country at a time, so Wolfgang, why don't you talk a little bit about international and where you see the distribution opportunities there?

Dr. Wolfgang Goldenitsc

Yes, and let me also answer your question about why we are confident that we are able to win, and I think that that's very important, and number one here is that Hain has already a sizable and growing plant-based business. Most of this, and Mark mentioned, is a $400 million business already and most of it is in Europe, so we're not new to the plant-based category.

Number two is we have years of—decades of experience, so we have 30 years in the meat-free category. We have more than 20 years in the non-dairy category, so—with (inaudible), so we have lots of experience, and we have great brands and a lot of experience and a good team.

Number three is Hain is selling in multiple countries already, and has the infrastructure and organization to expand into more geographies, and that will be a big driver of the growth going forward so that as you roll out step by step into more geographies with more of our brands.

Mark Schiller

Yes. One other question that came in that I'm seeing that I'll just answering now because it's related to what Wolfgang just said is how do you avoid overstretching and spreading yourself too thin, and it's a great question, and the answer really is that we are going to do this in a stair-step fashion, so when we enter a new country or a new channel, we're going to make sure that we are successful in that channel before we enter the next one. We're not going to shotgun it and launch into 10 or 15 countries

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simultaneously. We're going to do it in a very disciplined and structured fashion, and as we see success in one market, we'll take the lessons from those markets and we'll apply it to the next one, but we certainly have started that journey.

I think it's important that you understand this is not just an aspiration. We're doing it, whether that's Linda McCartney going into Austria or us taking non-dairy beverages into the U.K. under the Linda McCartney brand, we have already started that journey and we're seeing some good preliminary success, and as we cement that distribution and feel confident that we've got the formula right and the proposition moving nicely, we will take that learning and apply it to the next highest priority country that we want to go after.

Anna Kate Heller

Next question is, as for the new shelves in single-serve and flavors for Greek Gods, has that already happened, and if so, which retail channel?

Mark Schiller

Chris, do you want to take that?

Chris Boever

Yes, absolutely.

Greek Gods has been performing exceptionally well. The multi-serve tubs have been a very big—very good, strong growth part of the portfolio. We saw opportunities to be able to expand into new segments and different types of packaging for—with benefits such as low sugar, keto-friendly products. That is available now. We have some modest success with it, and we are continuing to push it and make certain that we're getting in front of all the retailers to get it out there and more available in the market.

Anna Kate Heller

Next question is, can you give some details on how you have advanced in the use of healthier ingredients?

Mark Schiller

Yes, so Chris, why don't you take that one as well, and Wolfgang, you can chime in on what we're doing in Europe.

Chris Boever

Yes. We have a very clear, pure-play, better-for-you portfolio in total, so from that standpoint, everything already starts from a very good, healthy place. Then what we do is we obviously speak to consumers and we narrow in on the insights that are either missing from the category, our brands, and can add benefits and incrementality to households that aren't being served and segments in the category that also have voids, so for example, we're adding benefits in our tea brands whether it be probiotics, melatonin, energy. Go through the list and we're very insight-forward as to what benefit we're putting into the products. Then earlier, I spoke about low sugar, keto-friendly yogurt. That's another great example of not compromising taste, but still being able to give some benefit, and again, some trends that are pretty opportunistic for us.

Mark Schiller

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Wolfgang, anything you want to add there?

Dr. Wolfgang Goldenitsc

Yes, so (inaudible) is very, very important, especially in plant-based, and I always like to say that per definition, plant-based is full of healthy ingredients, and—but there's more than that, so when I look to my plant-based beverages, our portfolio—nearly 50% of materials that are organic, which means they are very strong in relation to inorganic products, which means we are not even allowed to put in a lot of unhealthy ingredients, and by the way, Ella's is always a full organic brand, but also on our (inaudible) chilis. We took out loads of sugar the last couple of years and put instead fruit in it, and by the way, our (inaudible) chilis have no sugars at all, so again, health ingredients is very, very important here in Europe especially.

Mark Schiller

Yes, and I would just add that this Company was founded on health and wellness. All we do is health and wellness. Ninety-one percent of our products are non-GMO. Close to 40% of our products are organic. Our personal care products don't have parabens and phthalates and petrolatum. We are very conscious of how we source, fair trade. It's in our DNA as a company, and we've just recently, at the end of last week, published an ESG report that kind of lays out a lot of the details behind that.

Kristy, why don't you just talk for a minute or two about where our focus areas are and give them a little bit more color on our commitment to both the products and planet?

Kristy Meringolo

Sure. Just starting with the product-related commitments, one of the things we're doing is we are looking at our product-related guidelines across our entire portfolio, looking for opportunities for us to be nutritionally advanced or ensure that our products have the right profile and the right attributes based on consumer preferences.

We're also very focused on our environmental footprint, and we are also very focused on how do we give back to our employees and the communities in which we serve, so we have three core pillars of our ESG strategy which are outlined in the report that Mark just mentioned that set the baseline for the Company's forward-looking progress and the goals that we are looking to set in the short term, and also will help with our strategy in the future.

Next question is, are you expecting an improvement in the gender diversity ratio at Board level next year?

Mark Schiller

You want to take that, Kristy?

Kristy Meringolo

Yes, I can take this.

Diversity and inclusion are always key priorities for the Board and the Company. When we look to engage new directors, the Board focuses on recruiting directors with diverse skills, backgrounds, attributes, and experiences that all enhance the Board's ability to bring different insights to its decision-making. On an annual basis, the Board will review its Board composition to ensure that the Board reflects the oversight

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needs of the Company, so while we don't have any current needs to fill on the Board, it is a lens that we always look at when we're looking to engage new directors on the Board.

Mark Schiller

Yes, and look, it's embedded in our Company's DNA that diversity and inclusion is a very important part of our culture, and that we are very cognizant of making sure that we've got a diverse population, because we think from diversity comes incremental ideas and thoughts. Back to people with different backgrounds, different colors, different economic stratus, they all bring a different perspective that allows us to best represent the general population and the decisions that we make, so for us, it's about making sure we have a diverse slate always, and that we have a breadth of candidates to choose from, and then obviously, we pick the best candidates based on what the specific opportunity is, but it's deeply embedded in our DNA. We've made good progress over the last couple of years. We have certainly more opportunity always, but I'm proud of the progress we've made, and it is very much a part of our culture.

Anna Kate Heller

Next question is, do you have any comments about your current and future investments and/or trends from baby food?

Mark Schiller

Yes. Let me take that one, so we have two amazing baby food brands. We have the Ella's Kitchen brand in the U.K. and the Earth's Best brand here, and we also have the exclusive license with Sesame Street, which adds another layer of opportunity for us in baby food.

The Ella's business has twice the share of its next leading competitor, has grown market share 15 years in a row, and sells at three times the price of private label. It is an exceptional, purposeful brand. It's a B corp, and they are very much leaders in terms of helping moms raise healthy children, and it's a wonderful brand, good growth, good margins. We've been investing in that brand and will continue to do so.

In North America, as we talked about in the presentation, we really didn't have an investment-grade brand in Earth's Best. It was about a 2% EBITDA margin when we started the transformation. It was the biggest brand in the Company, but it made no money, and so investing in it, while we could have continued to drive the top-line, would have not made a lot of sense in terms of restoring the financial stability of the Company, so we spent the first 18 months of the transformation simplifying that business and walked away from about 20% of the sales of that business to strengthen its foundation.

We got out of a lot of subcategories. We were in pizza bites and chicken nuggets and diapers and wipes, and you name it, and in doing so, we improved the profitability of that business a thousand basis points and then started reinvesting to the point where now, over the last five months, I think, that business has grown about 18% to 20% on average, and is very much a high-growth brand for us, so we're very excited about baby food between Earth's Best and Ella's, both growing at a very high rate right now, and us investing in those brands, we're seeing the potential there, and we will continue to do so. They are in the investment bucket because those are typically relatively low-growth categories, but we are confident that we will continue to increase market share and outperform, as we're doing with both brands today.

Anna Kate Heller

Next question is, given the cash flow Hain now generates, would a dividend ever be considered for the company?

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Mark Schiller

Yes, Javier, why don't you talk the whole capital allocation process?

Javier Idrovo

Yes, so I know you have—many of you have heard me say this before, but I think it's worth reiterating, but the Company's capital allocation philosophy is to deploy capital to its highest and best use, and so all investment opportunities whether internal or external, they're all benchmarked against each other, and the purpose of that is to seek the highest risk-adjusted return out of all the options that are in front of us, and so that includes not just investing in M&A or investing in our own cap ex, but also looking at the value of investing in our Company through share repurchases or distributing capital through dividends.

You have seen us be active in repurchasing shares this last quarter, and we have been doing that because we believe that our shares have been trading at attractive valuations, but what I will say, though, is absent incremental attractive investment opportunities, we could potentially return cash to shareholders via dividend. That is something that we evaluate on a regular basis. We haven't decided on that particular issue today, but it's something that we evaluate using the philosophy and approach that I just described earlier.

Anna Kate Heller

Next question is, can you walk us through the amount you'll need to spend in terms of marketing, new employees, and capital expenditures to fund the expected growth?

Mark Schiller

I would say all of those things are embedded in the algorithm that we gave you, but you're right that as we shift from a company that is focused on moving from a holding company to an operating company and building the foundation, as we move to being a growth company, there are going to need to be investments in capabilities. Certainly, marketing is going to play a more important role over the next few years. We have to pivot to being a growth company in terms of our supply chain. That means rather than doing our sales forecasting based solely on history, you have to be able to forecast what's to come. That's going to require some capability building, and we're going to have to have a supply chain that can be very responsive to the growth opportunities, so as customers come back and say, I've got an opportunity, we want to be the company that says yes so that we're the first choice.

We're going to need to make some investments to build additional flexibility into our supply chain, which has, by the way, performed quite well during the pandemic, and is already pretty nimble relative to the giants in this industry, but the more nimble and flexible we can be, the more likely that we're going to be successful in generating growth, so there definitely are continuing investments in capabilities that will need to be made.

On the IT side, which is the question that I often get, we have more of a just-in-time approach on the IT side. If we decide that we're going to consolidate distribution centers and the products in the two different centers are in different IT systems, we'll migrate them to a common platform. That would require investment, but all of that is embedded in the capital numbers that we've been giving you, and we don't expect that that number's going to change materially.

Anna Kate Heller

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You're a very strong plant-based business in the international segment, but perhaps are not as well developed in the U.S. Is this a priority, and would M&A be a facilitator?

Mark Schiller

Wolfgang, why don't you talk about international, and then I can touch on the U.S. real quick?

Wolfgang?

Anna Kate Heller

Wolfgang?

Mark Schiller

Are you there?

Well, let me answer that question.

Oh, there he is. Did you hear the question, Wolfgang?

Dr. Wolfgang Goldenitsc

No, sorry. Can you repeat the question, please? Sorry for that. Can you hear me?

Mark Schiller

Yes.

Anna Kate Heller

Yes. You're a very strong plant-based business in international segment, but perhaps are not as well developed in the U.S. Is this a priority, and would M&A be a facilitator?

Mark Schiller

Wolfgang?

Well, let me go ahead and answer it, so look, we are very well developed in Europe in plant-based. The Linda McCartney brand is very strong. We are starting to take that brand into Europe as we talked about, and we've made a significant investment in capacity to be able to do that.

In North America, it's a little different situation. We have the Yves brand in Canada, which is a big brand in Canada, but it does not have the capacity for us to expand into the United States, and would be very expensive to do that, so it's not in our current short-term plans to enter the U.S. organically. Could we do that via acquisition? Absolutely, and so we are very excited about that category. It's a high-growth category. We've got two great brands with great products and we would like to leverage that as broadly as possible.

The other thing I would say, which is also very important, is Linda McCartney is number one in frozen and Yves is number one in chilled, and so by sharing and working globally, we can launch the frozen brands—the frozen products under the Yves brand in Canada and the chilled brands under Linda

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McCartney, and right now as we speak, we've launched about 14 chilled items in the U.K. under the Linda McCartney brand by just collaborating with Canada.

Those are the kinds of untapped opportunities that we didn't get at at 2.0 because it was really about transforming our North America business, and now that that transformation is well underway and the business is stable, we're really looking at those global synergies, plant-based being one area, baby being the other area where we have lots of opportunities to share marketing, innovation, productivity ideas that will just help us accelerate the growth that we already have.

Anna Kate Heller

Next question is, given your strong market share positions in Europe with plant-based and dairy brands and high category growth rates, are your revenue opportunities somewhat conservative?

Mark Schiller

I'll answer that one given the technical challenges.

Look, these are high-growth categories with a lot of potential. Could we do better? Potentially. Our algorithm assumes basically that we hold share in very high-growth categories, so we always aspire to grow share, and we're taking pretty aggressive steps that we've already pointed out both in terms of innovation in core countries and geographic expansion that certainly could give us some upside to this algorithm, but I think we've given you numbers that are prudent.

It's not a cakewalk. It's a very crowded category. There's a huge amount of innovation gets launched every year. You've got to fight for your shelf space all the time, so I think we've been prudent in terms of our assumptions, but with all of the assumptions in here, we've shown you almost $1.2 billion of opportunities that are right in front of us. We only have to get a fraction of those opportunities to come to fruition to deliver 6% to 9% growth on a steady basis, so my hope is like Hain 2.0, that we're able to get to the end state much faster than we're laying out here. That's always our aspiration, and we certainly have the big sights to do it, but we've tried, as we have throughout this journey, where we've delivered our earnings every single quarter, we're trying to give you numbers that we feel confident in that give us some flexibility and some upside.

Anna Kate Heller

With new products, why couldn't Alba and JASON form a basis for more vigorous personal care opportunities to build the personal care rather than exit the category?

Chris Boever

Yes, couldn't agree more. We are very excited about the renovation, the innovation, the positioning of both—in fact, all four brands in our personal care portfolio. We see this as a very good space to be competing in. The consumers are definitely moving into not putting chemicals onto their body, which goes into their body, which also comes off their body and goes into the environment, so this is a good category with a lot of growth potential. We are the overall leader from a total manufacturer standpoint in the natural channel.

As we bring the more conventional like scents and fragrances in an all-natural format and footprint and be very clear in our segmentation of consumers, whether it be young female, a little bit older female, male, or all family with a good, better, best strategy around pricing and price pack optimization to make things much more affordable and approachable and available in the marketplace, we see a lot of upside still in

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front of us here in the personal care business, and we are very excited about it, but to Mark's earlier comments, it is a more complex business. We have a tremendous amount of SKUs in there. It's proliferated throughout a multi-channel outlook, and a significant portion of this business is done outside in the scannable registers, if you will, amongst a larger (inaudible) club operators.

Mark Schiller

Yes, and look, what I'd like the takeaway to be on personal care is, it's a great business, but it's a complex business, and so we're going to continue to pursue all of the growth potential of that business until such time as some—it's worth more to somebody else than it is to us, and right now, it's a great business. We're growing it. We're excited about it. We're going to continue to invest, but at some point, will somebody come along and say that we're willing to give you an offer you can't refuse? If that happens, we would consider it, but I don't want anybody to think we're resting on our heels. We're trying to continue to generate value for shareholders just as we've been doing, but at some point, I think it's complexity that if we were to exit that business, that we would have a much simpler, more synergistic set of brands and categories.

Anna Kate Heller

Okay. We've got time for one last question. Should we expect capital expenditures to remain at 3% to 4% of sales as expected this year, or is it more elevated this year due to capacity expansion and plant-based?

Mark Schiller

Javier, why don't you take that one?

Javier Idrovo

Yes, the forecast for this year is about 3.5% of net sales, and we do expect, through the Hain 3.0 journey, to be roughly at around that time, so for modeling purposes, and also on the slide that we show about capital—cash flow generation, that was the assumption that we made for the next few years.

Mark Schiller

With that, that was our last question. Let me wrap up.

First of all, thank you, all, for your time today. Hopefully, you are as excited about the future of Hain as we are. We are in the right categories with the right brands. We've built a very strong foundation, and we're finding that there are many opportunities both for top-line growth, as well as for continued productivity that can set us up in a virtuous circle for many, many years to come, so thank you for your time today. We're around over the next day or two or even into next week. If there's additional questions that people have, please send them into ICR. The presentation will be posted on our website later today, and we appreciate your time. Thank you very much.

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