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PRESENTATION

Operator

Good morning, and welcome to the Whole Earth brand special conference call to address its acquisition of Wholesome Sweeteners, Inc. (Operator Instructions) Please also note, today's event is being recorded.

At this time, I'd like to turn the conference call over to Jeff Sonnek, Investor Relations at ICR. Sir, please go ahead.

Jeff Sonnek - *ICR, LLC - SVP*

Thank you, and good morning. Today's presentation will be hosted by Albert Manzone, Chief Executive Officer; and Andy Rusie, Chief Financial Officer. Executive Chairman, Irwin Simon, is also on the call and will be available for Q&A.

The comments during today's call and the accompanying presentation contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, are considered forward-looking statements. These statements are based on management's current expectations and beliefs as well as a number of assumptions concerning future events.

Such forward-looking statements are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those results discussed in the forward-looking statements. Some of the risks and uncertainties are identified and discussed in the company's filings with the SEC.

We'll refer to certain non-GAAP financial measures today. Please refer to the tables included in the press release as well as the supplemental presentation, which can be found on our Investor Relations website at investor.wholeearthbrand.com for reconciliations of non-GAAP financial measures to their most directly comparable GAAP measures.

With that, I'd now like to turn the call over to Albert Manzone, CEO.

Albert Manzone - *Whole Earth Brands, Inc. - CEO & Director*

Thank you, Jeff, and good morning, everyone. I'm excited today to announce our definitive agreement to acquire Wholesome Sweeteners for an initial price of $180 million. Wholesome marks our second acquisition since our business combination in June 2020 and follows Swerve, which we closed last month on November 10.

This transformational acquisition is immediately accretive and expands our diverse portfolio of trusted brand, with delicious products that meet growing consumer demand for natural and plant-based dietary options, baking ingredients and taste profiles. We expect that the combination of our legacy portfolio with Swerve and Wholesome will create a global platform with approximately $500 million of revenue for fiscal 2020 on a pro forma basis assuming both Swerve and Wholesome were owned for the entire year.

Wholesome is the U.S. leader in organic and plant-based sweeteners, including sugar, honey, agave nectar, allulose and other liquid sweetener products. Wholesome has been a leader in fair trade and non-GMO organics, with a culture based in ecofriendly agriculture since its founding in 2001.

With a proven track record of sustainability, innovation and profitable growth, including several new product lines that have been launched in the past few years, Wholesome has cemented its leadership position in the market, holding a 76% a share in the organic granulated sugar segment of the natural channel, according to SPINS.

Wholesome's leadership of organic sweetener in the natural channel has grown by more than 2 points to 32.5% in the past year, and those increases have been sustained through the COVID disruption during the past 6 and 3 months' period as well.

The Wholesome transaction offers several compelling strategic attributes for Whole Earth brands and represents a significant value creation opportunity. First, Wholesome has a large and growing organic sugar category and other complementary products. Organic sugar consumption is growing at 1.5x the rate of conventional sugar in the United States, according to Nielsen data. There are no domestic sources of organic sugar capable of supporting domestic demand, and Wholesome is the largest single in quarter and consumer of organic sugar in the United States, representing more than 1/3 of imported volume into the United States annually.

We believe that Wholesome's unique position in the supply chain provides us with an important competitive that will support the business for years to come, as consumers are drawn to the organic category. Consumers are demanding more dietary options that enable healthier lifestyle, and Whole Earth Brands' business strategy is built on meeting those needs through our innovative product pipeline and global distribution network.

Wholesome leadership market position in organic sugar, honey, agave and allulose in the natural channel is a perfect complement to our existing portfolio of natural and alternative sweeteners. Each of these sweeteners category is incremental to our existing business and significantly expands our phasing in share of shelf.

Second, Wholesome further expands our scale with market leadership positions in the natural category within North America. This is our key strategic pillar of our M&A strategy and one we see demonstrated in both Wholesome and Swerve. Including pro forma contribution of both those acquisition, natural sweeteners would represent approximately 87% of Whole Earth U.S. branded CPG sales mix and approximately 72% of Whole Earth's global branded CPG sales mix, which we expected to be approximately $290 million on a pro forma basis.

Our exposure to this important growth category and region size has been multiplied by 5 since June due to this acquisition and has resulted in an 11.2 point increase to Whole Earth Brands' North America share of natural sweeteners to 14.5 pro forma for Wholesome and Swerve for the 52-week period ending November 2020. Through the additional scale, we would enhance our competitive position and expand consumers' access to the delicious foods they love.

Third, the Wholesome transaction has strong financial merits. Wholesome's diverse brand portfolio and blue-chip customer base create financial flexibility and generates high free cash flow conversion, both of which are core elements of our long-term strategy to build a financial engine that can create long-term value for our shareholders. Wholesome's business has excelled within the natural channel, with a diverse product portfolio that spans branded retail, ingredients and private label.

Wholesome has deep and tenured customers who are the market leaders across diverse food retailing and consumer products channel. Their asset-light production network aligns well with our existing global infrastructure and similarly generates high free cash flow conversion, with low annual CapEx requirements similar to Whole Earth Brands.

And fourth, through Wholesome, we're creating a platform that has nearly doubled in size since our business combination. We expect the combined enterprise to generate 2020 pro forma revenue of approximately $500 million.

This combined portfolio creates a platform with significant global scale, which serves 2 advantages. We are able to generate strong operational synergies, and the expanded portfolio of brands significantly improves the company's shelf presence and visibility with retail customers, both of which are immensely important as we chart the next phases of growth for our business.

The terms of the Wholesale transaction are favorable, with an initial purchase price of $180 million, representing 7.8x Wholesome calendar 2020 expected adjusted EBITDA. This does not include potential commercial synergies that we expect to realize across our North American customer base and through launching Wholesome products across Whole Earth Brands' global footprint.

We also expect to realize cost synergies through supply chain integration over the coming 2 years as well as general overhead savings.

Key members of the Wholesome leadership team will be joining us at Whole Earth Brands, and we're excited to work together and build upon their success to date. Wholesome's ownership is eligible to receive up to $55 million of additional consideration under an earn-out through the end of calendar year 2021.

In the event Wholesome receives the full additional consideration under the earn-out based on 2021 financial performance, the total consideration will represent up to 8.2x 2021 adjusted EBITDA, which we believe is an attractive multiple for the strategically important asset.

We intend to finance the transaction with cash on hand and a new credit facility that it has secured through TD Securities and its affiliates. Pro forma for the transaction, including the annualized 2020 EBITDA contribution of Wholesome, we expect our net debt to adjusted EBITDA leverage ratio to be approximately 4.5x and believe that we can reduce our leverage through a combination of organic growth and free cash flow generation as we work back toward our long-term net leverage ratio target of less than 3x adjusted EBITDA.

The transaction is expected to close during the company's first quarter of fiscal 2021, contingent on completion of a customary review under antitrust laws, including the HSR Antitrust Improvements Act of 1976 in the U.S. We anticipate the transaction will be accretive in the first year.

In summary, we're extremely excited about the sweetener platform we have put in place. Wholesome offers an excellent complementary business to our existing branded CPG segment with the additional products, categories and scale that allows us to better align with our customers and help grow the sweetener category across new and existing channels.

We remain focused on our strategy of enabling healthier lifestyle by providing access to premium plant-based sweeteners, flavors enhancers and other foods through our diverse portfolio of trusted brands and delicious products. Our innovative product pipeline addresses the growing consumer demand for more dietary options, baking ingredients and taste profiles.

We are committed to helping people enjoy life's everyday moments and the celebrations. We have great conviction in our plan to grow Whole Earth Brands, and I am confident in our organization's ability to integrate those assets, while still maintaining focus on our customers and growth initiatives.

This concludes our prepared remarks. Andy, Irwin and I will be happy to take any questions. Darrel, please open the call for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first questions come from the line of Brian Holland with D.A. Davidson.

Brian Patrick Holland - *D.A. Davidson & Co., Research Division - Senior VP & Senior Research Analyst*

And congratulations on the acquisition. First question, trying to do some back of the envelope math, which is always dangerous, I grant you, but I'm getting to roughly, I think, $200 million of sales for this business in 2020. And then using the EBIT -- or the implied EBITDA based on the valuation multiple, I'm getting to something closer to like a 12% EBITDA margin.

So first question would be, is that math roughly correct? And if so, maybe just help us understand why the lower margin profile of just looking at relative to your base business and maybe the path to -- or how much runway there is to improve that margin.

Albert Manzone - *Whole Earth Brands, Inc. - CEO & Director*

Thank you, Brian. I will suggest, Andy, if you want to answer this question.

Andrew Rusie - *Whole Earth Brands, Inc. - CFO*

Yes. Thanks. Brian, thanks for jumping on. Your math is roughly right. The sales are a little bit less than $200 million in that ballpark, so that's correct. And your EBITDA number is in the right ballpark as well.

From a margin perspective, look, we're really excited about the opportunities here. The margin percentage that you calculated is correct. If you look at the tranches of their business between their branded business, their private labels as well as our ingredients business, the private label and ingredients are why you have a lower margin profile than what we have in the existing company.

That being said, we're really excited about it. We think there's a lot of great opportunities from a commercial perspective, leveraging especially their private label relationships here in North America to drive our branded products, which will enhance margins as we go forward. We think there's fantastic opportunities here.

When we're looking at productivity across our supply chain, we're looking at this as an opportunity to really transform our overall supply chain, which will continue to drive margin accretion over time as well as just kind of normal synergies as well.

So we're really excited about the opportunities to drive the top line and the portfolio that Wholesome has, the leverage that will build and then the opportunities to drive more efficiency and drive an enhanced supply chain going forward.

Irwin David Simon - *Whole Earth Brands, Inc. - Executive Chairman*

And Brian, it's Irwin. I think, Brian, one of the big things -- It's Irwin, I just want to say is this here. Yes, it's a lower-margin business. And when we looked at it, that was something we looked at hard.

But I think if you look at the growth of this business, how this business has turned around, how well the team has done growing this margin, but the big thing here, what it does for Whole Earth, and Andy was right on, first of all, growth is key here. Number two is they have an incredible supply chain that will help our supply chain. They have a nice sized North American business that will help our branded North American business with our Swerve and our Whole Earth and Equal.

And then last but not least, with their private label business, and we all know private label business is absolutely growing, but this will help us get additional distribution that will help our branded, which is the higher-margin business.

The other thing is there's some ingredient business here that we integrate in our already current ingredient business. So we see tremendous opportunity for margin expansion.

And the big thing, which is not here, is ultimately what are the synergies and savings in these margins as we move this forward. I mean, this was a company that was doing $200-plus million and now on a run rate of close to $500 million. So it's a big opportunity for the margin accretion here.

Brian Patrick Holland - *D.A. Davidson & Co., Research Division - Senior VP & Senior Research Analyst*

Yes. I appreciate the color, Andy and Irwin. So just a follow-up, and forgive me if I missed this if it's in the deck or the release or the comments and then I missed this, but roughly what is the mix for Wholesome between branded and private label?

And then just curious, that's always -- I think that always creates some anxiety in the market when you're managing a portfolio of branded and private label products, how do you execute kind of those strategies running parallel. So maybe just some thoughts around why either that's not a concern or, maybe more appropriately, why that's an opportunity.

Albert Manzone - *Whole Earth Brands, Inc. - CEO & Director*

Yes, Brian. I'm happy to take this on. And I think Andy will -- can follow up with you with the exact split. But the way we looked at it is as follows. The management team -- the new management team, which we're taking on board with us, which is new has done an incredible work on the branded side. And the branded side is actually, over the last 2 years, has outgrown the other categories, which is exciting. It allows us, really, from a sweetener standpoint to become #2 in natural, #3 overall in the U.S. in sweeteners. And it provides us the opportunity to provide to consumers really all the choices within a healthier diet, which is very exciting.

The private label, the fact of the matter is most companies do some of it today with different customers. That -- the way we view it is really strategically as a way, as Irwin explained, to really get either category captainship, category leadership into the shelf, which is exciting.

And then to the point of Irwin, the ingredient side is actually something that we do know, so that doesn't create anxiety but, I would say, create opportunity for us because we're probably the best candidate to manage that, leverage the supply chain benefits across, which we are very excited because, as you can imagine, with Swerve and Whole Earth, I mean, we started with Whole Earth at about $20 million of total purchase within our supply chain. We're now getting to $50 million. And so we see that as a huge opportunity to do a supply chain reinvention over the next 2 years in North America.

Brian Patrick Holland - *D.A. Davidson & Co., Research Division - Senior VP & Senior Research Analyst*

Okay. And then last quick one for me. What was the trajectory of this business pre-COVID? You gave a lot of good detail about what's been going on over the last 52 weeks. Just kind of curious how this business was trending.

And then Irwin, I -- maybe I misunderstood, but what I thought I heard from you was that the management team at Wholesome had turned around the business, which would imply that maybe the 12% -- or 11.5%, 12% EBITDA margin I'm getting to today was maybe lower than that before. So if that's right, just kind of how much margin improvement have we seen on this business? And what specifically was done to improve it over whatever period of time. That's all.

Irwin David Simon - *Whole Earth Brands, Inc. - Executive Chairman*

Well, my comment was -- go ahead, Albert. You can tell them how the management team, what they've done with this business as certain people left. But the management team had a phenomenal sales.

Albert Manzone - *Whole Earth Brands, Inc. - CEO & Director*

Yes. Essentially, Brian, what happened there from a private equity standpoint is that there was a change in management back in 2015, and then they brought back the team and supplemented it with strong individuals back in 2018. And the business has been on fire since then, essentially blocking and tackling innovation.

And to your point, which has been obviously something that we looked very carefully, the organic sugar was essentially outpacing -- way outpacing and outgrowing sugar growth before COVID, so that's very important. The strength in the whole food natural channel is significant. And the new product introduction, take allulose, they are today the leader in allulose, they are leading in agave. They are outcompeting in sugar and doing very well in organic honey.

So I would say that all those things and the powering to allulose have been all very positive over the last 2 years. But importantly, if you look at the secular trends of organic sugar, this is a category that has been growing during that time, all the time. Irwin?

Irwin David Simon - *Whole Earth Brands, Inc. - Executive Chairman*

Well, Brian, what I was saying is the team really turned this business around and took it to a whole other level. And I -- what I was saying is there's a whole other level now to take it to.

But where the business faltered was more from a management turnover than anything wrong with the products. And your question before, listen, private label is growing. And with private labels growing the way it is and having the ability to bring our brands in is, I think, good for us.

So I think that's an important move. And listen, most companies today do have a portfolio of private label business within their portfolio of brands that complements their business, absorb overhead and drops to the bottom line, and you don't have the marketing costs, et cetera. So I see that.

The other big thing is scalable. As I said before, this is now half -- a run rate to $500 million business, so it's very, very scalable. And still, the majority of the business is still branded business.

Operator

Our next questions come from the line of Scott Mushkin with R5 Capital.

Scott Andrew Mushkin - *R5 Capital LLC - Founder, Managing Partner, CEO & Director of Research*

And this is from my perspective, since I've been involved in the national organic space for a very long time, this is a phenomenal acquisition, so congratulations on that. You guys got a great brand here.

So I just wanted to understand a little bit more on the management structure. How long is the earn-out? I don't think -- I don't know if we touched on that, so maybe just a little bit about the management structure and how long the earn-out is since these guys have done a good job with the business.

Albert Manzone - *Whole Earth Brands, Inc. - CEO & Director*

Yes. Sure. Happy to start. First of all, to tell you that I appreciate the congrats on the acquisition. I have to tell you that this is a brand that I was interested in before I joined this company 5 years ago. I think it's a brand that has a lot of legs to go into a lot of categories, and that's very exciting, as Irwin said earlier.

With regards to the management team, I can tell you one thing is that we are impressed by the management team. We think they can do and integrate very well in our organization and do more and very interested to do that. The earn-out goes until December 31. But essentially, the intent is to integrate a team that has been successful, and this is an opportunity that we have taken into consideration as we looked at this deal.

Scott Andrew Mushkin - *R5 Capital LLC - Founder, Managing Partner, CEO & Director of Research*

And was it a competitive process in purchasing this?

Irwin David Simon - *Whole Earth Brands, Inc. - Executive Chairman*

Scott, I'll take that one. Listen, I think this was owned by different private equity groups who were great to work with. I think what was important for them where it ended up. I had a prior relationship with them, and there was, because of what this business was doing, lots of interest in this business.

But we got it over the line. We got it at a good multiple, and it fits right within what we were doing. But yes, I think there was lots of others interested in this business.

Scott Andrew Mushkin - *R5 Capital LLC - Founder, Managing Partner, CEO & Director of Research*

And so then my other question goes back to something that was talked about. And I guess, I want to try to feel if there's somewhat of a McCormick-like situation here in the sugar category and the organic sugar category.

And we probably don't want to speak about specific retailers, but if I look at a retailer, where they're carrying the Wholesome product and the private label, is it likely you guys are doing both?

Irwin David Simon - *Whole Earth Brands, Inc. - Executive Chairman*

Yes, yes.

Scott Andrew Mushkin - *R5 Capital LLC - Founder, Managing Partner, CEO & Director of Research*

Would you say that the majority of kind of the relationships where you guys are supplying the branded product, but also supplying the organic -- the private label to?

Irwin David Simon - *Whole Earth Brands, Inc. - Executive Chairman*

I'm not sure. And Albert, maybe you can answer that if it's the majority. But I think if it's not today, that's what our strategy is here. And again, this, again, is basically a North American business that's predominantly in the U.S., not really much in Canada, really not much in Mexico. And as you know, we have a lot going on, on our international markets.

So again, there's some big expansion opportunities here for our international business to start with this year.

Scott Andrew Mushkin - *R5 Capital LLC - Founder, Managing Partner, CEO & Director of Research*

And then as far as -- I know, Albert, you talked about the multiple, including the earn-out. It seems to me that there's implied in that next year some good EBITDA dollar growth.

Is that coming from sales? Or is that coming from margin? Or is it kind of a combination of both?

Albert Manzone - *Whole Earth Brands, Inc. - CEO & Director*

Yes. Thank you for the question. A couple of things. First of all, to make sure that I said it correctly before, I just -- I said December 31 for the year now, 2021, that the management is will pass, and we intend that to continue afterwards, just to clarify.

With regard to next year, listen, I think the question earlier from Brian was spot on. This is a business that was performing from a category standpoint pre-COVID. COVID saw a significant acceleration. And that acceleration, I'd like to continue to say, because of the some of the trends, that will continue forward. Think about cooking from scratch at home, think about increase of baking, think about those new occasions that are going to stay with us post COVID in 2021, yes, indeed. We see that playing a significant role. We're very excited about the performance of the business and see a lot of things continuing.

With regard to the margin, as I said, the big idea there is really the supply chain reinvention. We would want to do this well. It will take 1 to 2 years, so think about really a lot of the things that are happening on the top line are going to stick and doing -- and bringing benefits.

Operator

Our next question has come from the line of Alex Arnold with Odeon Capital.

Arthur Alexander Arnold - *Odeon Capital Group LLC, Research Division - MD*

Good job on this deal. I guess, first question, in terms of -- I mean, the size of this business and the long-term growth algorithm, any change there? It has -- I mean, it's big enough that it has the ability to swing sort of growth, but I don't know how sustainable what we saw in the past year was.

Albert Manzone - *Whole Earth Brands, Inc. - CEO & Director*

Andy, do you want to take this?

Andrew Rusie - *Whole Earth Brands, Inc. - CFO*

Yes. So no -- thanks, Alex. So first of all, we're excited about the multiple we got the business on, right, number one. Number two, the business is growing. The Wholesome business is growing well here in 2020 as we go into 2021 as well.

We've said our long-term growth algorithm is low to mid-single digits. We think that both Swerve and Wholesome might move that range a little bit higher, but we haven't recast our long-term guidance yet. So more to come on that in 2021 when we publish our guidance in longer term, but we do think that both acquisitions help us with our long-term algorithm there.

Arthur Alexander Arnold - *Odeon Capital Group LLC, Research Division - MD*

Okay. And I'm just going to hop on to the back of Brian's envelope here for a second. Merch margin on the branded product, how does that compare, just Swerve or Whole Earth?

Andrew Rusie - *Whole Earth Brands, Inc. - CFO*

Yes. So there -- I'm happy to -- Albert, I'm happy to jump in on that one. So their branded margins are comparable to what we have on our branded products across our Whole Earth Brands as well as Swerve.

Arthur Alexander Arnold - *Odeon Capital Group LLC, Research Division - MD*

Okay. So it's just a mix function. Okay. And then, obviously, you guys levered up to do this deal. It makes sense to do the deal, but can you just walk us down the path of how we should think about delevering the business? And what's going to drive that over what time frame?

Andrew Rusie - *Whole Earth Brands, Inc. - CFO*

Yes. I'm happy to take that one, too. Look, the one nice thing about this business that we've highlighted is that this is exactly the same profile as ours. It's an asset-light cash flow -- high cash flow business and so our ability to delever, and that will be our focus as we move into 2021 and beyond.

We think that there's kind of more than half of a turn of deleveraging per year, if not even more than that, Alex, as we go forward into the next couple of years. So we're pretty confident that we can get back to our 3x multiple -- or 3x leverage target in a pretty quick way. So that is one of the exciting things about the Wholesome business is the free cash flow generation from it.

Arthur Alexander Arnold - *Odeon Capital Group LLC, Research Division - MD*

Great. And the last one is just a clarification. I mean, I can't see why this wouldn't be accretive, but I think I heard you say, Albert, immediately accretive once and then accretive in year 1, the second time you mentioned it.

So is there a reason to think that this may drag at some point? Or is it just accretive from day 1 when you consecrate?

Albert Manzone - *Whole Earth Brands, Inc. - CEO & Director*

Andy, do you want to answer?

Andrew Rusie - *Whole Earth Brands, Inc. - CFO*

Yes, I can take that one. It's immediately, Alex. It's -- yes.

Operator

And ladies and gentlemen, at this time, I'm showing no further questions. I'd like to end the question-and-answer session and turn the conference call back over to management for any closing remarks.

Albert Manzone - *Whole Earth Brands, Inc. - CEO & Director*

Thank you, Darrel. I just would like to thank everybody for joining this call this morning, and we look forward to speak with you again soon.

We're available, Andy and myself and Irwin. And so any follow-up questions you have, we will be happy to take them. Thank you, again, very, very much.

Operator

Ladies and gentlemen, that does conclude today's conference call. We do thank you for attending. You may disconnect your lines at this time.

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