

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the three months ended

June 30, 2020

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-37540



HOSTESS BRANDS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

47-4168492

(I.R.S. Employer
Identification No.)

7905 Quivira Road

Lenexa, KS

(Address of principal executive offices)

66215

(Zip Code)

(816) 701-4600

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Ticker Symbol	Name of each exchange on which registered
Class A Common Stock, Par Value of \$0.0001 per share	TWNK	The Nasdaq Stock Market LLC
Warrants, each exercisable for a half share of Class A Common Stock	TWNBW	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Shares of Class A common stock outstanding - 124,409,339 shares at August 5, 2020

Shares of Class B common stock outstanding - 6,301,285 shares at August 5, 2020

HOSTESS BRANDS, INC.
FORM 10-Q
For the Quarter Ended June 30, 2020

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Cautionary Note Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q contains statements reflecting our views about our future performance that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve substantial risks and uncertainties. All statements contained in this Quarterly Report other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, and our objectives for future operations, are forward-looking statements. Statements that constitute forward-looking statements are generally identified through the inclusion of words such as "believes," "expects," "intends," "estimates," "projects," "anticipates," "will," "plan," "may," "should," or similar language. Statements addressing our future operating performance and statements addressing events and developments that we expect or anticipate will occur are also considered forward-looking statements. All forward-looking statements included herein are made only as of the date hereof. It is routine for our internal projections and expectations to change throughout the year, and any forward-looking statements based upon these projections or expectations may change prior to the end of the next quarter or year. Readers of this Quarterly Report are cautioned not to place undue reliance on any such forward-looking statements. As a result of a number of known and unknown risks and uncertainties, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Risks and uncertainties are identified under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019 and herein, as updated by subsequent filings. The impact of COVID-19 may also exacerbate these risks, any of which could have a material effect on us. This situation is changing rapidly and additional impacts may arise that the Company is not aware of currently. All subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these risk factors. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

HOSTESS BRANDS, INC.
CONSOLIDATED BALANCE SHEETS

(Unaudited, amounts in thousands, except shares and per share data)

	June 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 127,779	\$ 285,087
Accounts receivable, net	141,175	104,892
Inventories	51,782	47,608
Prepays and other current assets	16,572	15,569
Total current assets	337,308	453,156
Property and equipment, net	281,144	242,384
Intangible assets, net	1,980,859	1,853,315
Goodwill	702,917	535,853
Other assets, net	17,395	12,993
Total assets	\$ 3,319,623	\$ 3,097,701
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Long-term debt and lease obligations payable within one year	\$ 13,705	\$ 11,883
Tax receivable agreement payments payable within one year	17,500	12,100
Accounts payable	67,169	68,566
Customer trade allowances	59,293	45,715
Accrued expenses and other current liabilities	45,366	21,661
Total current liabilities	203,033	159,925
Long-term debt and lease obligations	1,109,286	975,405
Tax receivable agreement obligations	126,208	126,096
Deferred tax liability	293,329	256,051
Other long-term liabilities	1,340	—
Total liabilities	1,733,196	1,517,477
Commitments and Contingencies (Note 13)		
Class A common stock, \$0.0001 par value, 200,000,000 shares authorized, 124,408,614 and 122,108,086 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	12	12
Class B common stock, \$0.0001 par value, 50,000,000 shares authorized, 6,301,285 and 8,409,834 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively	1	1
Additional paid in capital	1,176,815	1,152,055
Accumulated other comprehensive loss	(11,034)	(756)
Retained earnings	352,998	334,480
Stockholders' equity	1,518,792	1,485,792
Non-controlling interest	67,635	94,432
Total liabilities and stockholders' equity	\$ 3,319,623	\$ 3,097,701

See accompanying notes to the unaudited consolidated financial statements.

HOSTESS BRANDS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, amounts in thousands, except shares and per share data)

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Net revenue	\$ 256,226	\$ 241,060	\$ 499,711	\$ 463,798
Cost of goods sold	166,852	157,610	331,000	305,160
Gross profit	89,374	83,450	168,711	158,638
Operating costs and expenses:				
Advertising and marketing	11,158	10,696	21,221	19,559
Selling expense	12,378	8,310	30,498	16,830
General and administrative	24,153	19,276	49,348	36,747
Amortization of customer relationships	7,110	6,009	13,594	11,994
Business combination transaction costs	—	—	4,282	—
Other operating expense	—	2,278	27	517
Total operating costs and expenses	54,799	46,569	118,970	85,647
Operating income	34,575	36,881	49,741	72,991
Other expense:				
Interest expense, net	10,580	10,302	22,305	20,538
Other expense	1,132	846	1,685	1,286
Total other expense	11,712	11,148	23,990	21,824
Income before income taxes	22,863	25,733	25,751	51,167
Income tax expense	5,493	9,064	5,741	7,886
Net income	17,370	16,669	20,010	43,281
Less: Net income attributable to the non-controlling interest	1,200	5,186	1,492	10,672
Net income attributable to Class A stockholders	\$ 16,170	\$ 11,483	\$ 18,518	\$ 32,609
Earnings per Class A share:				
Basic	\$ 0.13	\$ 0.11	\$ 0.15	\$ 0.32
Diluted	\$ 0.13	\$ 0.10	\$ 0.15	\$ 0.31
Weighted-average shares outstanding:				
Basic	123,638,723	105,072,322	123,381,190	102,618,951
Diluted	124,576,409	109,509,195	125,312,658	105,338,010

See accompanying notes to the unaudited consolidated financial statements.

HOSTESS BRANDS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited, amounts in thousands)

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Net income	\$ 17,370	\$ 16,669	\$ 20,010	\$ 43,281
Other comprehensive income (loss):				
Unrealized loss on interest rate swap contracts designated as cash flow hedges	(1,909)	(3,006)	(14,617)	(5,171)
Tax benefit	481	636	3,650	1,083
Comprehensive income	15,942	14,299	9,043	39,193
Less: Comprehensive income attributed to non-controlling interest	1,096	4,605	659	9,589
Comprehensive income attributed to Class A stockholders	\$ 14,846	\$ 9,694	\$ 8,384	\$ 29,604

See accompanying notes to the unaudited consolidated financial statements.

HOSTESS BRANDS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited, amounts in thousands except share data)

	Class A Voting Common Stock		Class B Voting Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity	Non-controlling Interest
	Shares	Amount	Shares	Amount					
Balance—December 31, 2018	100,046,392	\$ 10	30,255,184	\$ 3	\$ 925,902	\$ 2,523	\$ 271,365	\$ 1,199,803	\$ 350,454
Comprehensive income (loss)	—	—	—	—	—	(1,216)	21,126	19,910	4,984
Share-based compensation, net of income taxes of \$13	—	—	—	—	1,668	—	—	1,668	—
Distributions	—	—	—	—	—	—	—	—	(457)
Exercise of public warrants	50	—	—	—	—	—	—	—	—
Balance—March 31, 2019	100,046,442	\$ 10	30,255,184	\$ 3	\$ 927,570	\$ 1,307	\$ 292,491	\$ 1,221,381	\$ 354,981
Comprehensive income (loss)	—	—	—	—	—	(1,789)	11,483	9,694	4,605
Share-based compensation, net of income taxes of \$63	20,241	—	—	—	1,936	—	—	1,936	—
Distributions	—	—	—	—	—	—	—	—	(4,459)
Exercise of employee stock options	1,788	—	—	—	23	—	—	23	—
Payment of taxes for employee stock awards	—	—	—	—	(124)	—	—	(124)	—
Exchanges	9,255,400	1	(9,255,400)	(1)	110,734	292	—	111,026	(111,026)
Tax receivable agreement arising from exchanges, net of income taxes of \$10,109	—	—	—	—	(17,610)	—	—	(17,610)	—
Balance—June 30, 2019	109,323,871	\$ 11	20,999,784	\$ 2	\$ 1,022,529	\$ (190)	\$ 303,974	\$ 1,326,326	\$ 244,101
Balance—December 31, 2019	122,108,086	\$ 12	8,409,834	\$ 1	\$ 1,152,055	\$ (756)	\$ 334,480	\$ 1,485,792	\$ 94,432
Comprehensive income (loss)	—	—	—	—	—	(8,810)	2,348	(6,462)	(437)
Share-based compensation, including income taxes of \$03	106,770	—	—	—	2,180	—	—	2,180	—
Exchanges	969,247	—	(969,247)	—	11,819	(17)	—	11,802	(11,802)
Distributions	—	—	—	—	—	—	—	—	(1,613)
Exercise of employee stock options and warrants	2,205	—	—	—	155	—	—	155	—
Payment of taxes for employee stock awards	—	—	—	—	(1,004)	—	—	(1,004)	—
Tax receivable agreement arising from exchanges, net of income taxes of \$1,341	—	—	—	—	(1,942)	—	—	(1,942)	—
Balance—March 31, 2020	123,186,308	12	7,440,587	1	1,163,263	(9,583)	336,828	1,490,521	80,580
Comprehensive income (loss)	—	—	—	—	—	(1,324)	16,170	14,846	1,096
Share-based compensation, net of income taxes of \$96	46,304	—	—	—	1,929	—	—	1,929	—
Exchanges	1,139,302	—	(1,139,302)	—	13,803	(127)	—	13,676	(13,676)
Distributions	—	—	—	—	—	—	—	—	(365)
Exercise of employee stock options and warrants	36,700	—	—	—	408	—	—	408	—
Payment of taxes for employee stock awards	—	—	—	—	(32)	—	—	(32)	—
Tax receivable agreement arising from exchanges, net of income taxes of \$952	—	—	—	—	(2,556)	—	—	(2,556)	—
Balance—June 30, 2020	124,408,614	\$ 12	6,301,285	\$ 1	\$ 1,176,815	\$ (11,034)	\$ 352,998	\$ 1,518,792	\$ 67,635

See accompanying notes to the unaudited consolidated financial statements.

HOSTESS BRANDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, amounts in thousands)

	Six Months Ended	
	June 30, 2020	June 30, 2019
Operating activities		
Net income	20,010	\$ 43,281
Depreciation and amortization	26,477	21,939
Impairment of property, goodwill and intangibles	—	1,005
Debt discount (premium) amortization	664	(536)
Tax receivable agreement remeasurement	—	(483)
Unrealized foreign exchange losses	996	—
Non-cash lease expense	641	—
Share-based compensation	4,503	4,780
Deferred taxes	3,973	5,637
Loss on sale of assets	128	—
Change in operating assets and liabilities, net of acquisitions and dispositions:		
Accounts receivable	(11,320)	(22,508)
Inventories	4,135	(4,313)
Prepays and other current assets	(1,091)	(1,661)
Accounts payable and accrued expenses	3,323	18,168
Customer trade allowances	8,242	8,755
Net cash provided by operating activities	<u>60,681</u>	<u>74,064</u>
Investing activities		
Purchases of property and equipment	(23,376)	(15,398)
Acquisition of business, net of cash acquired	(318,427)	—
Acquisition and development of software assets	(3,402)	(2,907)
Net cash used in investing activities	<u>(345,205)</u>	<u>(18,305)</u>
Financing activities		
Repayments of long-term debt and lease obligations	(5,584)	(5,056)
Proceeds from long-term debt origination, net of fees paid	136,888	—
Distributions to non-controlling interest	(1,977)	(4,916)
Tax payments related to issuance of shares to employees	(1,036)	(124)
Cash received from exercise of options and warrants	563	23
Payments on tax receivable agreement	(1,279)	(2,779)
Net cash provided by (used in) financing activities	<u>127,575</u>	<u>(12,852)</u>
Effect of exchange rate changes on cash and cash equivalents	(359)	—
Net increase (decrease) in cash and cash equivalents	(157,308)	42,907
Cash and cash equivalents at beginning of period	285,087	146,377
Cash and cash equivalents at end of period	\$ <u>127,779</u>	\$ <u>189,284</u>

Supplemental Disclosures of Cash Flow Information:

Cash paid during the period for:

Interest	\$ 21,885	\$ 22,472
Net taxes paid (refunded)	\$ (577)	\$ 1,815

Supplemental disclosure of non-cash investing:

Accrued capital expenditures	\$ 1,542	\$ 1,527
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See accompanying notes to the unaudited consolidated financial statements.

HOSTESS BRANDS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Description of Business

Hostess Brands, Inc. is a Delaware corporation headquartered in Lenexa, Kansas. The consolidated financial statements include the accounts of Hostess Brands, Inc. and its subsidiaries (collectively, the “Company”). The Company is a leading packaged food company focused on developing, manufacturing, marketing, selling and distributing snack products, including sweet baked goods, cookies and wafers in North America.

The Company’s operations are conducted through indirect operating subsidiaries that are wholly-owned by Hostess Holdings, L.P. (“Hostess Holdings”), a direct subsidiary of Hostess Brands, Inc. Hostess Brands, Inc. holds 100% of the general partnership interest in Hostess Holdings and a majority of the limited partnership interests therein and consolidates Hostess Holdings in the Company’s consolidated financial statements. The remaining limited partnership interests in Hostess Holdings are held by the holders of the outstanding shares of Class B common stock of Hostess Brands, Inc. These limited partnership interests in Hostess Holdings are reflected in the consolidated financial statements as a non-controlling interest. In January 2020, the Company acquired Voortman Cookies Limited (“Voortman”), a manufacturer of premium, branded wafers as well as sugar-free and specialty cookies.

Basis of Presentation

The consolidated financial statements included herein have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) and the rules and regulations of the Securities and Exchange Commission (“SEC”). In the opinion of management, the unaudited consolidated financial statements include all adjustments necessary for the fair presentation of the Company’s financial position and of the results of operations and cash flows for the periods presented, and all such adjustments were of a normal and recurring nature. The results of operations are not necessarily indicative of the results to be expected for the full fiscal year. The accompanying unaudited consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2019.

For the periods presented, the Company had two reportable segments: Snacking and In-Store Bakery. The Company sold its In-Store Bakery operations on August 30, 2019. Subsequent to the sale, Snacking remains as the Company’s single reportable segment.

Adoption of New Accounting Standards

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments (“Topic 326”). This ASU requires entities to measure the impairment of certain financial instruments, including trade receivables, based on expected losses rather than incurred losses. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company adopted the standard effective January 1, 2020. Adoption of Topic 326 did not have a material impact on the Company’s consolidated financial statements.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its majority-owned or controlled subsidiaries (including those for which the Company is the primary beneficiary of a variable interest entity). All intercompany balances and transactions have been eliminated in consolidation.

HOSTESS BRANDS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and for the reported amounts of revenues and expenses during the reporting period. Management utilizes estimates, including, but not limited to, valuation and useful lives of tangible and intangible assets, valuation of expected future payments under the tax receivable agreement, and reserves for trade and promotional allowances. Actual results could differ from these estimates.

Accounts Receivable

Accounts receivable represents amounts invoiced to customers for performance obligations which have been satisfied. As of June 30, 2020 and December 31, 2019, the Company's accounts receivable were \$141.2 million and \$104.9 million, respectively, which have been reduced by an allowance for damages occurring during shipment, quality claims and doubtful accounts in the amount of \$4.9 million and \$2.7 million, respectively.

Inventories

Inventories are stated at the lower of cost or net-realizable value on a first-in first-out basis. Abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) are expensed in the period they are incurred.

The components of inventories are as follows:

(In thousands)	June 30, 2020	December 31, 2019
Ingredients and packaging	\$ 25,273	\$ 21,439
Finished goods	24,290	22,513
Inventory in transit to customers	2,219	3,656
	<u>\$ 51,782</u>	<u>\$ 47,608</u>

Software Costs

Capitalized software is included in "Other assets, net" in the consolidated balance sheets in the amount of \$14.6 million and \$11.9 million at June 30, 2020 and December 31, 2019, respectively. Capitalized software costs are amortized over their estimated useful life of five years commencing when such assets are ready for their intended use. Software amortization expense included in general and administrative operating expense was \$1.3 million and \$2.6 million for the three and six months ended June 30, 2020, respectively, compared to \$0.7 million and \$1.4 million for the three and six months ended June 30, 2019, respectively.

Disaggregation of Revenue

Net revenue consists of sales of packaged food products in the United States primarily within the Sweet Baked Goods category. Beginning with the acquisition of Voortman on January 3, 2020 (see Note 2. Business Combinations), the Company also sells products in the United States and Canada within the Cookies category.

The following tables disaggregate revenues by geographical market and category.

(In thousands)	Three Months Ended June 30, 2020			
	Sweet Baked Goods	In-Store Bakery	Cookies	Total
United States	\$ 232,620	\$ —	\$ 20,459	\$ 253,079
Canada	—	—	3,147	3,147
	<u>\$ 232,620</u>	<u>\$ —</u>	<u>\$ 23,606</u>	<u>\$ 256,226</u>

HOSTESS BRANDS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended June 30, 2019				
(In thousands)	Sweet Baked Goods	In-Store Bakery	Cookies	Total
United States	\$ 229,273	\$ 11,787	\$ —	\$ 241,060
Canada	—	—	—	—
	<u>\$ 229,273</u>	<u>\$ 11,787</u>	<u>\$ —</u>	<u>\$ 241,060</u>

Six Months Ended June 30, 2020				
(In thousands)	Sweet Baked Goods	In-Store Bakery	Cookies	Total
United States	\$ 458,982	\$ —	\$ 33,766	\$ 492,748
Canada	—	—	6,963	6,963
	<u>\$ 458,982</u>	<u>\$ —</u>	<u>\$ 40,729</u>	<u>\$ 499,711</u>

Six Months Ended June 30, 2019				
(In thousands)	Sweet Baked Goods	In-Store Bakery	Cookies	Total
United States	\$ 442,151	\$ 21,647	\$ —	\$ 463,798
Canada	—	—	—	—
	<u>\$ 442,151</u>	<u>\$ 21,647</u>	<u>\$ —</u>	<u>\$ 463,798</u>

Concentrations

The Company has one customer (together with its affiliates) that accounted for 10% or more of the Company's total net revenue. The percentage of total net revenues for this customer is presented below by segment:

(% of Consolidated Net Revenues)	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Snacking	22.3 %	23.3 %	21.7 %	23.5 %
In-Store Bakery	0.0 %	0.4 %	0.0 %	0.4 %
Total	<u>22.3 %</u>	<u>23.7 %</u>	<u>21.7 %</u>	<u>23.9 %</u>

Foreign Currency Remeasurement

Certain Voortman sales and production related costs are denominated in the Canadian dollar ("CAD"). CAD transactions have been remeasured into U.S. dollars ("USD") on the consolidated statement of operations using the average exchange rate for the reporting period. Balances expected to be settled in CAD have been remeasured into USD on the consolidated balance sheet using the exchange rate at the end of the period. During both the three and six months ended June 30, 2020, the Company recognized a loss on remeasurement of \$0.7 million reported within other expense on the consolidated statement of operations.

HOSTESS BRANDS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

2. Business Combinations

On January 3, 2020, the Company completed the acquisition of all of the shares of the parent company of Voortman, a manufacturer of premium, branded wafers as well as sugar-free and specialty cookies for approximately \$325.8 million (\$423.2 million CAD), pending final working capital and other closing statement adjustments. This purchase price was reduced by a net gain on a related foreign currency contract of \$6.9 million, cash acquired of \$1.6 million and a receivable for certain purchase price adjustments of \$1.1 million, resulting in a net cash outflow of \$318.4 million.

The acquisition of Voortman diversifies and expands the Company's product offerings and manufacturing capabilities in the adjacent cookie category. The acquisition also leverages the Company's customer reach and lean and agile business model. The combined Company expects to realize additional benefits of scale via sharing established, efficient infrastructure and strengthening collaborative retail partnerships in the United States and Canada.

An aggregate of \$10.8 million CAD was deposited into an escrow account to satisfy amounts in respect of post-closing adjustments and to provide for payment to the Company of indemnity claims, if any. During the six months ended June 30, 2020, working capital and other adjustments of \$1.0 million were made to goodwill. The Company continues to work through post-closing working capital and other adjustments in accordance with the terms of the share purchase agreement, as well as other contractual rights it has under the transaction documents.

Included in other non-current liabilities in the table below is a \$1.3 million liability for pre-acquisition uncertain tax positions. It is offset by a non-current receivable balance of \$1.3 million representing expected recovery through seller or insurance policy indemnification.

The Company recorded a preliminary allocation of the purchase price to tangible and identified intangible assets acquired and liabilities assumed, based on their fair values as of the closing date. The final allocation of the purchase price is pending the final valuation of certain assets acquired and liabilities assumed and finalization of customary closing adjustments to the final purchase price. The Company expects to finalize the allocation of the purchase consideration as soon as practicable. The preliminary purchase price allocation is as follows:

(In thousands)		
Cash	\$	1,639
Accounts receivable		24,848
Inventory		8,309
Income tax receivable		6,079
Other current assets		420
Property and equipment		32,200
Customer relationships		11,100
Trade names		130,000
Goodwill		167,064
Other non-current assets		1,320
Accounts payable and accrued expenses		(5,192)
Customer trade allowances		(5,428)
Lease liabilities		(6,420)
Deferred taxes		(38,854)
Other non-current liabilities		(1,320)
Assets acquired and liabilities assumed	\$	<u>325,765</u>

During the six months ended June 30, 2020, the Company incurred \$4.3 million of expenses related to this acquisition. These expenses are classified as business combination transaction costs on the consolidated statements of operations.

HOSTESS BRANDS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma combined financial information presents the Company's results as though the acquisition of Voortman had occurred at January 1, 2019. The unaudited pro forma consolidated financial information has been prepared using the acquisition method of accounting in accordance with U.S. GAAP:

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
	(unaudited, pro forma)		(unaudited, pro forma)	
Net revenue	\$ 256,226	\$ 269,082	\$ 499,711	\$ 512,142
Net income	\$ 17,370	\$ 17,200	\$ 20,010	\$ 42,059

3. Exit Costs

Subsequent to the Company's acquisition of Voortman, activities were initiated to transition Voortman's distribution model to the Company's direct-to-warehouse distribution model. The Company has incurred costs to exit Voortman's direct-store-delivery model, including severance and contract termination costs related to third-party distributor and leasing relationships. Total costs are expected to be approximately \$13.0 million through completion of the transition in 2020. During the three and six months ended June 30, 2020, contract termination costs of \$1.8 million and \$8.3 million and severance costs of \$2.0 million and \$4.2 million were recognized within selling expenses and general and administrative expenses, respectively, on the consolidated statement of operations.

Reserves for these activities are reported within accrued expenses on the consolidated balance sheet and had the following activity during the six months ended June 30, 2020:

(In thousands)	Severance	Contract Termination	Total
Charges recorded	\$ 4,210	\$ 8,278	\$ 12,488
Payments made	(2,526)	(6,878)	(9,404)
Impact of change in exchange rates on CAD denominated liability	(112)	(387)	(499)
Reserve balance as of June 30, 2020	<u>\$ 1,572</u>	<u>\$ 1,013</u>	<u>\$ 2,585</u>

4. Property and Equipment

Property and equipment consists of the following:

(In thousands)	June 30, 2020	December 31, 2019
Land and buildings	\$ 57,668	\$ 53,683
Right of use assets, operating	29,537	23,771
Machinery and equipment	234,409	209,382
Construction in progress	21,409	5,878
	<u>343,023</u>	<u>292,714</u>
Less accumulated depreciation	(61,879)	(50,330)
	<u>\$ 281,144</u>	<u>\$ 242,384</u>

Depreciation expense was \$5.2 million and \$10.2 million for the three and six months ended June 30, 2020, compared to \$4.3 million and \$8.6 million for the three and six months ended June 30, 2019.

HOSTESS BRANDS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

5. Segment Reporting

For the periods presented, the Company had two reportable segments: Snacking and In-Store Bakery. The Company's Snacking segment consists of sweet baked goods, cookies, wafers and bread products that are sold under the Hostess®, Dolly Madison®, Cloverhill® Big Texas®, and Voortman® brands. As of January 3, 2020, the Company added the newly acquired Voortman operations into the reportable segment previously known as Sweet Baked Goods and renamed the segment as "Snacking". The In-Store Bakery segment consists primarily of Superior on Main® branded and private label products sold through the in-store bakery section of grocery and club stores. The Company divested its In-Store Bakery operations on August 30, 2019. Subsequent to the sale, Snacking is the Company's single reportable segment.

The Company evaluates performance and allocates resources based on net revenue and gross profit. Information regarding the operations of these reportable segments is as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Net revenue:				
Snacking	\$ 256,226	\$ 229,273	\$ 499,711	\$ 442,151
In-Store Bakery	—	11,787	—	21,647
Net revenue	\$ 256,226	\$ 241,060	\$ 499,711	\$ 463,798
Depreciation and amortization:				
Snacking	\$ 13,656	\$ 10,380	\$ 26,477	\$ 20,562
In-Store Bakery	—	680	—	1,377
Depreciation and amortization	\$ 13,656	\$ 11,060	\$ 26,477	\$ 21,939
Gross profit:				
Snacking	\$ 89,374	\$ 80,925	\$ 168,711	\$ 154,069
In-Store Bakery	—	2,525	—	4,569
Gross profit	\$ 89,374	\$ 83,450	\$ 168,711	\$ 158,638
Capital expenditures (1):				
Snacking	\$ 13,236	\$ 7,516	\$ 25,388	\$ 11,778
In-Store Bakery	—	28	—	180
Capital expenditures	\$ 13,236	\$ 7,544	\$ 25,388	\$ 11,958

(1) Capital expenditures consists of purchases of property and equipment and acquisition and development of software assets paid in cash or acquired through accounts payable. For the six months ended June 30, 2020 and 2019, capital expenditures in accounts payable decreased by \$1.4 million and \$6.4 million, respectively.

After the August 30, 2019 divestiture of the In-Store Bakery operations, the Company retained no assets related to the In-Store Bakery segment. All assets at June 30, 2020 and December 31, 2019 were attributed to the Snacking segment.

HOSTESS BRANDS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

6. Goodwill and Intangible Assets

The Company recognized goodwill in January of 2020 related to its acquisition of Voortman based on a preliminary valuation performed to determine the fair value of the acquired assets. During the three months ended June 30, 2020, the preliminary valuation was adjusted, resulting in a \$1.0 million increase to goodwill. The Voortman-related goodwill was incorporated into the Company's Snacking reporting segment. At June 30, 2020, there is no goodwill associated with the In-Store Bakery reporting segment, which the Company divested in 2019. Goodwill activity is presented below.

(In thousands)	Snacking
Balance as of December 31, 2019	\$ 535,853
Acquisition of Voortman	167,064
Balance as of June 30, 2020	<u>\$ 702,917</u>

Intangible assets consist of the following:

(In thousands)	June 30, 2020	December 31, 2019
Intangible assets with indefinite lives (Trademarks and Trade Names)	\$ 1,538,631	\$ 1,408,630
Intangible assets with definite lives (Customer Relationships)	526,813	515,713
Less accumulated amortization (Customer Relationships)	(84,585)	(71,028)
Intangible assets, net	<u>\$ 1,980,859</u>	<u>\$ 1,853,315</u>

The Company recognized additional trade names and customer relationships intangible assets during the six months ended June 30, 2020 related to the acquisition of Voortman. See Note 2. Business Combinations for additional details.

Amortization expense was \$7.1 million and \$13.6 million for the three and six months ended June 30, 2020, and \$6.0 million and \$12.0 million for the three and six months ended June 30, 2019. The unamortized portion of customer relationships will be expensed over their remaining useful lives, from 1 to 23 years. The weighted-average amortization period as of June 30, 2020 for customer relationships was 19.2 years.

7. Accrued Expenses and Other Current Liabilities

Included in accrued expenses and other current liabilities are the following:

(In thousands)	June 30, 2020	December 31, 2019
Payroll, vacation and other compensation	\$ 6,589	\$ 3,389
Incentive compensation	9,009	6,840
Exit costs	2,585	—
Accrued interest	4,768	4,870
Workers compensation reserve	3,179	2,665
Self-insurance reserves	2,012	1,938
Taxes	1,905	1,255
Interest rate swap contract	15,319	704
	<u>\$ 45,366</u>	<u>\$ 21,661</u>

HOSTESS BRANDS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

8. Debt and Lease Obligations

In January 2020, the Company originated a \$140.0 million incremental term loan through an amendment to its existing credit agreement. The Company received proceeds of \$136.9 million, net of fees incurred of \$3.1 million. The proceeds, together with cash on hand, financed the purchase of Voortman (see Note 2. Business Combinations). The terms, conditions and covenants applicable to the incremental term loan are the same as the terms, conditions and covenants applicable to the existing term loans. The term loan requires quarterly payments of interest at a rate of the greater of the applicable LIBOR or 0.75% per annum plus a margin of 2.25% per annum and principal at a rate of 0.25% of the aggregate principal balance with the remaining principal amount due upon maturity on August 3, 2025.

A summary of the carrying value of the debt and lease obligations is as follows:

(In thousands)	June 30, 2020	December 31, 2019
Term Loan (3.0% as of June 30, 2020)		
Principal	\$ 1,108,347	\$ 973,930
Unamortized debt premium and issuance costs	(5,542)	(3,094)
	<u>1,102,805</u>	<u>970,836</u>
Lease obligations	20,186	16,452
Total debt and lease obligations	1,122,991	987,288
Less: Current portion of long term debt and lease obligations	(13,705)	(11,883)
Long-term portion	<u>\$ 1,109,286</u>	<u>\$ 975,405</u>

At June 30, 2020, minimum debt repayments under the term loan are due as follows:

(In thousands)	
2020	\$ 5,581
2021	11,164
2022	11,164
2023	11,164
2024	11,164
2025	1,058,110

9. Derivative Contracts

To reduce the effect of interest rate fluctuations, in 2017 the Company entered into an interest rate swap contract with a counter party to make a series of payments based on a fixed interest rate of 1.78% and receive a series of payments based on the greater of LIBOR or 0.75%. Both the fixed and floating payment streams are based on a notional amount of \$500 million at the inception of the contract and are reduced by \$100 million each year of the five-year contract. As of June 30, 2020 and June 30, 2019, the notional amount was \$200 million and \$300 million, respectively. At June 30, 2020, the effective interest rate on the long-term debt hedged by this contract was 4.03%.

In February 2020, the Company entered into additional five-year interest rate swap contracts to further reduce the effect of interest rate fluctuations on its variable-rate Term Loan. The notional value of these contracts was \$500 million. Under the terms of the contracts, the Company will make quarterly payments based on fixed interest rates ranging from 1.11% to 1.64% and receive quarterly payments based on the greater of LIBOR or 0.75%. These contracts became effective as of April 30, 2020. At June 30, 2020, the effective interest rate on the long-term debt hedged by these interest rate swap contracts was 3.76%.

HOSTESS BRANDS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The Company entered into these transactions to reduce its exposure to changes in cash flows associated with its variable rate debt and has designated these derivatives as cash flow hedges.

As of June 30, 2020 and December 31, 2019, the fair values of the interest rate swap contracts of \$5.3 million and \$0.7 million, respectively, were reported within accrued expenses and other current liabilities on the consolidated balance sheet. The fair value of the interest rate swap contract is measured on a recurring basis by netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on the expectation of future interest rates (forward curves) derived from observable market interest rate curves (Level 2).

In connection with the agreement to purchase Voortman as described in Note 2. Business Combinations, the Company entered into a foreign currency contract to hedge \$440 million CAD to be used for the forecasted purchase price and a portion of the subsequent expected conversion costs. At December 31, 2019, the contract had a value of \$7.1 million recognized within other current assets on the consolidated balance sheet based on available market information on similar contracts (Level 2) and a corresponding gain of \$7.1 million was recognized in gain on foreign currency contract within the consolidated statements of operations. Through settlement of the contracts in January of 2020, a loss of \$0.2 million was recognized within other expense on the consolidated statement of operations.

10. Earnings per Share

Basic earnings per share is calculated by dividing net income attributable to the Company's Class A stockholders for the period by the weighted average number of shares of Class A common stock outstanding for the period excluding non-vested share-based awards. In computing diluted earnings per share, basic earnings per share is adjusted for the assumed issuance of all applicable potentially dilutive share-based awards including public and private placement warrants, RSUs, restricted stock awards and stock options.

Below are basic and diluted net income per share:

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Numerator:				
Net income attributable to Class A stockholders (in thousands)	\$ 16,170	\$ 11,483	\$ 18,518	\$ 32,609
Denominator:				
Weighted-average Class A shares outstanding - basic	123,638,723	105,072,322	123,381,190	102,618,951
Dilutive effect of warrants	758,005	4,002,135	1,744,314	2,363,537
Dilutive effect of RSUs	179,681	434,738	187,154	355,522
Weighted-average shares outstanding - diluted	<u>124,576,409</u>	<u>109,509,195</u>	<u>125,312,658</u>	<u>105,338,010</u>
Net income per Class A share - basic	<u>\$ 0.13</u>	<u>\$ 0.11</u>	<u>\$ 0.15</u>	<u>\$ 0.32</u>
Net income per Class A share - diluted	<u>\$ 0.13</u>	<u>\$ 0.10</u>	<u>\$ 0.15</u>	<u>\$ 0.31</u>

For the three and six months ended June 30, 2020 and 2019, the dilutive effect of stock options was excluded from the computation of diluted earnings per share because the assumed proceeds from the awards' exercise were greater than the average market price of the common shares.

Weighted average Class A shares outstanding reflect the weighted impact of exchanges of Class B shares for Class A shares.

HOSTESS BRANDS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

11. Income Taxes

The Company is subject to U.S. federal, state and local taxes on its allocable portion of the income of Hostess Holdings, a partnership for U.S. federal and most applicable state and local taxes. As a partnership, Hostess Holdings is itself not subject to U.S. federal and certain state and local income taxes. The operations of Hostess Holdings include those of its controlled foreign corporation subsidiaries. The Company intends to indefinitely reinvest earnings outside the United States and, thus, is not recording deferred taxes on its investment in foreign subsidiaries.

The Company's estimated annual effective tax rate is 24.1% prior to taking into account any discrete items. The effective tax rate was 24.0% and 35.2% for the three months ended June 30, 2020 and 2019, respectively. Tax expense for the three months ended June 30, 2020 aligned with the Company's estimated annual effective rate. During the three months ended June 30, 2019, the effective tax rate was impacted by a discrete tax expense of \$2.8 million from revaluing deferred tax balances based on changes in estimated state apportionment factors and tax rates.

The Company's effective tax rate for the six months ended June 30, 2020 was 22.3% compared to 15.4% for the six months ended June 30, 2019. The current year effective tax rate was impacted by an adjustment to deferred taxes related to Voortman, which resulted in a discrete tax benefit of \$0.5 million. The prior year effective tax rate was impacted by a discrete tax benefit of \$3.2 million related to the remeasurement of deferred tax balances arising from changes in estimated state apportionment factors and rates.

12. Tax Receivable Agreement Obligations

The following table summarizes activity related to the Tax Receivable Agreement for the six months ended June 30, 2020:

(In thousands)	
Balance December 31, 2019	\$ 138,196
Exchange of Class B units for Class A shares	6,791
Payments	(1,279)
Balance June 30, 2020	<u>\$ 143,708</u>

As of June 30, 2020 the future expected payments under the tax receivable agreement are as follows:

2020	\$ 10,800
2021	7,900
2022	7,700
2023	7,700
2024	7,800
Thereafter	101,808

HOSTESS BRANDS, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

13. Commitments and Contingencies

Liabilities related to legal proceedings are recorded when it is probable that a liability has been incurred and the associated amount can be reasonably estimated. Where the estimated amount of loss is within a range of amounts and no amount within the range is a better estimate than any other amount, the minimum amount is accrued. As additional information becomes available, potential liabilities are reassessed and the estimates revised, if necessary. Any accrued liabilities are subject to change in the future based on new developments in each matter, or changes in circumstances, which could have a material effect on the Company's financial condition and results of operations.

Leases

The Company entered into operating leases for the buildings in which it operates that expire at various times through 2026, including those entered by Voortman. The Company determines if an arrangement is a lease at inception.

At June 30, 2020 and December 31, 2019, right of use assets related to operating leases are included in property and equipment, net on the consolidated balance sheet (see Note 4. Property and Equipment). As of June 30, 2020 and December 31, 2019, the Company has no outstanding financing leases. Lease liabilities for operating leases are included in the current and non-current portions of long-term debt and lease obligations on the consolidated balance sheet (see Note 8. Debt and Lease Obligations).

The table below shows the composition of lease expenses:

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Amortization of right of use asset, financing lease	\$ —	\$ 56	\$ —	\$ 100
Interest, financing lease	—	5	—	12
Operating lease expense	1,269	616	3,064	1,257
Short-term lease expense	544	282	1,558	682
Variable lease expense	467	189	1,021	377
	<u>\$ 2,280</u>	<u>\$ 1,148</u>	<u>\$ 5,643</u>	<u>\$ 2,428</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity and capital resources of Hostess Brands, Inc. This discussion should be read in conjunction with our unaudited consolidated financial statements and notes thereto included herein, and our audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2019. The terms "our", "we," "us," and "Company" as used herein refer to Hostess Brands, Inc. and its consolidated subsidiaries.

Overview

We are a leading North America packaged food company, currently operating in one reportable segment: Snacking, which includes sweet baked goods ("SBG") as well as our cookie and wafer products. Our direct-to-warehouse ("DTW") product distribution system allows us to deliver to our customers' warehouses. Our customers in turn distribute to the retail stores.

Hostess® is the second leading brand by market share within the SBG category, according to Nielsen U.S. total universe. For the 13-week period ended June 27, 2020, our branded SBG products (which include Hostess®, Dolly Madison®, Cloverhill® and Big Texas®) market share was 19.3% per Nielsen's U.S. SBG category data.

Historically, we operated in two reportable segments: SBG and In-Store Bakery ("ISB"), which we sold in August of 2019.

Factors Impacting Recent Results

Acquisition

On January 3, 2020, we completed the acquisition of all of the shares of the parent company of Voortman Cookies Limited ("Voortman"), a manufacturer of premium, branded wafers as well as sugar-free and specialty cookies. By adding the Voortman® brand, we expect to have greater growth opportunities provided by a more diverse portfolio of brands and products. Our consolidated statement of operations includes the operation of these assets from January 3, 2020 through June 30, 2020. During the year, we transitioned Voortman from its legacy direct-store-delivery distribution model into our centralized DTW model.

Divestiture

On August 30, 2019, the Company sold the ISB operations, including relevant trademarks and licensing agreements, to an unrelated party. The ISB operations provided products that were primarily sold in the in-store bakery section of U.S. retail channels. The Company divested the operations to focus on areas of our business that better leverage our core competencies.

COVID-19

The acute and far-reaching impact of the COVID-19 pandemic and actions taken by governments to contain the spread of the virus have impacted our operations during the three and six months ended June 30, 2020. As consumers prepared for extended stays at home, we experienced an increase in consumption in the last few weeks of the first quarter, particularly in our multi-pack products sold through grocery and mass retailer channels. Conversely, we experienced lower consumption of single-serve products, often consumed away from home. This trend has moderated somewhat during the second quarter, however, we cannot predict if these trends will sustain or reverse in future periods.

We have established a task force to monitor the rapidly evolving situation and recommend risk mitigation actions as deemed necessary. To date, we have experienced minimal disruption to our supply chain or distribution network, including the supply of our ingredients, packaging or other sourced materials, though it is possible that more significant disruptions could occur if the COVID-19 pandemic continues to impact markets around the world. We are also working closely with all of our contract manufacturers, distributors and other external business partners. As a food producer, we are an essential service and the majority of our employees continue to work within our production and distribution facilities. To protect our employees and ensure continuity of operations, we have

implemented additional security and sanitation measures in all of our facilities. We are monitoring our employees' health and providing additional resources and protocols to enable effective social distancing and adherence to our stringent internal food safety guidelines, industry best practices and evolving CDC guidelines. Many non-production team members, including sales, marketing and corporate associates, are adhering to social distancing guidelines by working from home and reducing person-to-person contact while supporting our ability to bring product to consumers.

We have adequate liquidity to pay for the additional costs associated with these programs while servicing our on-going operating and capital needs. However, we continue to actively monitor and will take action, as necessary, to preserve adequate liquidity and ensure that our business can continue to operate in this dynamic environment.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law. The CARES Act provides a substantial stimulus and assistance package intended to address the impact of the COVID-19 pandemic, including tax relief and government loans, grants and investments. Apart from their impact on the general economy, including the labor market and consumer demand, neither the CARES Act nor any other government program intended to address COVID-19 had any material impact on our consolidated financial statements for the three and six months ended June 30, 2020. We continue to monitor any effects that may result from the CARES Act and other stimulus programs.

Operating Results

(In thousands, except per share data)	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Net revenue	\$ 256,226	\$ 241,060	\$ 499,711	\$ 463,798
Gross profit	89,374	83,450	168,711	158,638
<i>As a % of net revenue</i>	<i>34.9 %</i>	<i>34.6 %</i>	<i>33.8 %</i>	<i>34.2 %</i>
Operating costs and expenses	54,799	46,569	118,970	85,647
Operating income	34,575	36,881	49,741	72,991
Other expense	11,712	11,148	23,990	21,824
Income tax expense	5,493	9,064	5,741	7,886
Net income	17,370	16,669	20,010	43,281
Net income attributable to Class A stockholders	\$ 16,170	\$ 11,483	\$ 18,518	\$ 32,609
Earnings per Class A share:				
Basic	\$ 0.13	\$ 0.11	\$ 0.15	\$ 0.32
Diluted	\$ 0.13	\$ 0.10	\$ 0.15	\$ 0.31

Results of Operations

Net Revenue

Net revenue for the three months ended June 30, 2020 was \$256.2 million, an increase of 6.3%, or \$15.1 million, compared to \$241.1 million for the three months ended June 30, 2019. Excluding ISB, net revenue increased \$26.9 million or 11.7%. The increase was driven primarily by the acquisition of Voortman which contributed \$23.6 million of net revenue, which is net of \$6.8 million of slotting fees incurred to obtain warehouse space during the transition. Sweet baked goods net revenue increased \$3.3 million, primarily driven by higher volume of core Hostess® branded multi-pack products partially offset by lower sales of private label and non-Hostess branded products and lower sales of Hostess® branded single-serve products due to impacts of COVID-19 on consumer shopping habits. During the three months ended June 30, 2020, we also established a reserve for expected customer credits related to the recall of certain Raspberry Zinger® products.

Net revenue for the six months ended June 30, 2020 was \$499.7 million, an increase of 7.7%, or \$35.9 million, compared to \$463.8 million for the six months ended June 30, 2019. Excluding ISB, net revenue increased \$57.5 million or 13.0%. The acquisition of Voortman contributed \$40.7 million of net revenue. The remaining increase was attributed to higher volume of Hostess® branded multi-pack products due to strong demand, particularly in the grocery and dollar channels, partially offset by lower sales of private label and non-Hostess branded products and lower sales of Hostess® branded single-serve products.

Gross Profit

Gross profit for the three months ended June 30, 2020 was \$89.4 million, or 34.9% of net revenue, compared to \$83.5 million, or 34.6% of net revenue for the three months ended June 30, 2019. Excluding ISB, gross profit increased 10.5% resulting from the accretion from Voortman supported by achievement of synergies and higher operating efficiencies gained with increased volume, partially offset by higher operating costs due to COVID-19.

Gross profit for the six months ended June 30, 2020 was \$168.7 million, or 33.8% of net revenue, compared to \$158.6 million, or 34.2% of net revenue for the six months ended June 30, 2019. Excluding ISB, gross profit increased 9.5%. The accretion from Voortman and efficiencies from higher sales volume was partially offset by the turnover of inventory acquired through the Voortman acquisition, which was recorded at fair value and higher operating costs due to COVID-19.

Operating Costs and Expenses

Operating costs and expenses for the three months ended June 30, 2020 were \$54.8 million, compared to \$46.6 million for the three months ended June 30, 2019. The increase was attributed to costs incurred to transition Voortman to our warehouse distribution model as well as Voortman's on-going operating costs, partially offset by a prior year nonrecurring payment under the Company's long-term incentive plan, prior year remeasurement of the tax receivable agreement and prior year impairment charge related to the In-store Bakery business.

Operating costs and expenses for the six months ended June 30, 2020 were \$119.0 million, compared to \$85.6 million for the six months ended June 30, 2019. The increase was attributed to costs related to the transition of Voortman's operations as well as Voortman's on-going operating costs, partially offset by a prior year nonrecurring payment under the Company's long-term incentive plan and a prior year impairment charge related to the In-store Bakery business.

Other Expense

Other expense for the three months ended June 30, 2020 was \$11.7 million compared to \$11.1 million for the three months ended June 30, 2019, in each case consisting primarily of interest expense. Interest expense on our term loans was \$10.4 million and \$11.1 million for the three months ended June 30, 2020 and 2019, respectively. The three months ended June 30, 2020 also included a loss on remeasurement of Canadian dollar denominated balances attributed to Voortman.

Other expense for the six months ended June 30, 2020 was \$24.0 million compared to \$21.8 million for the six months ended June 30, 2019, in each case consisting primarily of interest expense. Interest expense on our term loans was \$21.9 million and \$22.1 million for the six months ended June 30, 2020 and 2019, respectively.

Income Taxes

Our effective tax rate for the three months ended June 30, 2020 was 24.0% compared to 35.2% for the three months ended June 30, 2019. Our prior year effective tax rate was impacted by a discrete tax expense of \$2.8 million related to the remeasurement of deferred tax balances arising from changes in estimated state apportionment factors and rates.

Our effective tax rate for the six months ended June 30, 2020 was 22.3% compared to 15.4% for the six months ended June 30, 2019. The current year effective tax rate was impacted by an adjustment to deferred taxes related to Voortman, which resulted in a discrete tax benefit of \$0.5 million. Our prior year effective tax rate was impacted by a discrete tax benefit of \$3.2 million related to the remeasurement of deferred tax balances arising from changes in estimated state apportionment factors and rates.

Segments

For the reporting periods presented, we had two reportable segments: Snacking and In-Store Bakery. Our Snacking segment consists of baked goods, cookies, wafers and bread products that are sold under the Hostess®, Dolly Madison®, Cloverhill®, Big Texas® and Voortman® brands. In January of 2020, we added the newly acquired Voortman operations into the reportable segment previously known as Sweet Baked Goods and renamed the segment as “Snacking”. The In-Store Bakery segment consists primarily of Superior on Main® branded and private label products sold through the in-store bakery section of grocery and club stores. We divested our In-Store Bakery operations on August 30, 2019.

We evaluate performance and allocate resources based on net revenue and gross profit. Information regarding the operations of these reportable segments is as follows:

Unaudited Segment Financial Data (In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Net revenue:				
Snacking	\$ 256,226	\$ 229,273	\$ 499,711	\$ 442,151
In-Store Bakery	—	11,787	—	21,647
Net revenue	<u>\$ 256,226</u>	<u>\$ 241,060</u>	<u>\$ 499,711</u>	<u>\$ 463,798</u>
Gross profit:				
Snacking	\$ 89,374	\$ 80,925	\$ 168,711	\$ 154,069
In-Store Bakery	—	2,525	—	4,569
Gross profit	<u>\$ 89,374</u>	<u>\$ 83,450</u>	<u>\$ 168,711</u>	<u>\$ 158,638</u>

Liquidity and Capital Resources

Our primary sources of liquidity are from cash on hand, future cash flow generated from operations, and availability under our revolving credit agreement (“Revolver”). We believe that cash flows from operations and the current cash and cash equivalents on the balance sheet will be sufficient to satisfy the anticipated cash requirements associated with our existing operations for at least the next 12 months. Our ability to generate sufficient cash from our operating activities depends on our future performance, which is subject to general economic, political, financial, competitive and other factors beyond our control. In addition, our future acquisitions and other cash requirements could be higher than we currently expect as a result of various factors, including any expansion of our business that we undertake, including acquisitions. We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

We had working capital, excluding cash, as of June 30, 2020 and December 31, 2019 of \$6.5 million and \$8.1 million, respectively. We have the ability to borrow under the Revolver to meet obligations as they come due. As of June 30, 2020, we had approximately \$95.9 million available for borrowing, net of letters of credit, under the Revolver.

Cash Flows from Operating Activities

Cash flows provided by operating activities for the six months ended June 30, 2020 and 2019 were \$60.7 million and \$74.1 million, respectively. During the six months ended June 30, 2020, we used cash to fund transaction expenses related to the purchase of Voortman and certain non-capitalizable costs related to the transition of Voortman into our warehouse distribution model. We also made certain non-capitalizable investments in the transition of our centralized distribution center to Kansas.

Cash Flows from Investing Activities

Cash used in investing activities for the six months ended June 30, 2020 and 2019 were \$345.2 million and \$18.3 million, respectively. During the six months ended June 30, 2020, we funded the CAD \$423 million purchase price of Voortman with cash on hand and the proceeds from an incremental term loan on our existing credit facility. We also invested in our bakeries and new centralized distribution center.

Cash Flows from Financing Activities

Cash flows from financing activities were an inflow of \$127.6 million for the six months ended June 30, 2020 and an outflow of \$12.9 million for the six months ended June 30, 2019. During 2020, cash proceeds of \$140.0 million from the incremental term loan used to finance the purchase of Voortman were offset by related charges of \$3.1 million.

Long-Term Debt

We had no outstanding borrowings under our Revolver as of June 30, 2020.

In January 2020, we entered into \$140.0 million of incremental term loans through an amendment to our existing credit agreement. The proceeds, together with cash on hand were used to settle a forward purchase contract for Canadian Dollars utilized to finance the CAD \$425 million purchase of Voortman.

As of June 30, 2020, \$1,108.3 million aggregate principal amount of the Term Loan was outstanding and letters of credit worth up to \$4.1 million aggregate principal amount were available, reducing the amount available under the Revolver. As of June 30, 2020, we were in compliance with the covenants under the Term Loan and the Revolver.

Contractual Obligations and Commitments

There were no material changes, outside the ordinary course of business, in our outstanding contractual obligations from those disclosed within “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2019.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For quantitative and qualitative disclosures about market risk, see Item 7A “Quantitative and Qualitative Disclosures About Market Risk” of our Annual Report on Form 10-K for the year ended December 31, 2019. Our exposures to market risk have not changed materially since December 31, 2019.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e)) under the Securities and Exchange Act of 1934, as amended (the Exchange Act)) as of June 30, 2020, the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2020 to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that information relating to the Company is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

During the six months ended June 30, 2020, there was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

We are involved from time to time in lawsuits, claims and proceedings arising in the ordinary course of business. These matters typically involve personnel and employment issues, personal injury, contract and other proceedings arising in the ordinary course of business. Although we do not expect the outcome of these matters to have a material adverse effect on our financial condition or results of operations, litigation is inherently unpredictable. Therefore, we could incur judgments, or enter into settlements or be subject to claims that could materially impact our results.

Item 1A. Risk Factors

Our risk factors are set forth in the “Risk Factors” section of our Annual Report on Form 10-K filed on February 26, 2020. Other than as noted below, there have been no material changes to our risk factors since the filing of the Form 10-K.

The current COVID-19 pandemic, or the future outbreak of other highly infectious or contagious diseases, could adversely impact or cause disruption to our business, financial condition, results of operations and cash flows. Further, the COVID-19 pandemic has caused severe disruptions in the U.S. and global economy, may further disrupt financial markets and could potentially create widespread business continuity issues.

With novel coronavirus (“COVID-19”) infections reported throughout the world, certain governmental authorities have issued stay-at-home orders, proclamations and/or directives aimed at minimizing the spread of the pandemic. Additional, more restrictive proclamations and/or directives may be issued in the future. As a food producer, we are an essential service and the majority of our employees continue to work within our production and distribution facilities. However, we have had increased labor costs resulting from the payment of overtime to certain of our employees while other employees have been on paid sick leave or unpaid leaves of absence. We have also incurred expenses related to additional sanitization and safety measures we have instituted throughout our facilities. Although the temporary reductions in production at our facilities to enable sanitization and implementation of our other safety and employee welfare programs have not materially affected our operations, other food producers have experienced significant shutdowns of production. We cannot assure you that our health and safety measures will prevent a widespread outbreak of COVID-19 at our facilities. Such an outbreak could lead to a suspension of production or increased labor and other costs, each of which could have a material adverse effect on our business, financial condition and results of operations.

We are also actively monitoring the potential impact of the pandemic on our supply chain, operations and distribution. Our products are manufactured in North America and we source the significant majority of our ingredients, raw materials and packaging within North America. However, global supply may become constrained, which may cause the price of certain ingredients, raw materials and packaging used in our products to increase, such ingredients may become unavailable and/or we may experience disruptions to our operations. While we do not expect that the virus will have a material adverse effect on our business or financial results at this time, we are unable to accurately predict the impact that the coronavirus will have due to various uncertainties, including the severity of the disease, the duration of the outbreak, the economic impact on our customers, and actions that may be taken by governmental authorities. We also cannot predict the effects of another wave of COVID-19 or any future outbreak of other highly infectious or contagious diseases.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
3.1	<u>Third Amended and Restated Certificate of Incorporation</u>
31.1	<u>Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1	<u>Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2	<u>Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, formatted in Inline XBRL

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Lenexa, Kansas on August 5, 2020.

HOSTESS BRANDS, INC.

By _____ /s/ Brian T. Purcell
Brian T. Purcell
Executive Vice President, Chief Financial Officer

THIRD AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
HOSTESS BRANDS, INC.

June 4, 2020

Hostess Brands, Inc., a corporation organized and existing under the laws of the State of Delaware (the “Corporation”), DOES HEREBY CERTIFY AS FOLLOWS:

1. The name of the Corporation is “Hostess Brands, Inc.” The original certificate of incorporation was filed with the Secretary of State of the State of Delaware on June 1, 2015 (the “Original Certificate”). A certificate of amendment to the Original Certificate was filed with the Secretary of State of the State of Delaware on June 11, 2015. The Corporation filed an amended and restated certificate of incorporation with the Secretary of State of the State of Delaware on August 13, 2015 (the “First Amended and Restated Certificate”). The Corporation filed another amended and restated certificate of incorporation with the Secretary of State of the State of Delaware on November 4, 2016 (the “Second Amended and Restated Certificate”). Among other things, the Second Amended and Restated Certificate changed the Corporation’s name from “Gores Holdings, Inc.” to “Hostess Brands, Inc.”

2. This Third Amended and Restated Certificate of Incorporation (this “Third Amended and Restated Certificate”) was duly adopted by the Board of Directors of the Corporation (the “Board”) and the stockholders of the Corporation in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware.

3. This Third Amended and Restated Certificate restates, integrates and amends the provisions of the Second Amended and Restated Certificate. Certain capitalized terms used in this Third Amended and Restated Certificate are defined where appropriate herein.

4. The text of the Second Amended and Restated Certificate is hereby restated and amended in its entirety to read as follows:

ARTICLE I

NAME

The name of the corporation is Hostess Brands, Inc. (the “Corporation”).

ARTICLE II

PURPOSE

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "DGCL"). In addition to the powers and privileges conferred upon the Corporation by law and those incidental thereto, the Corporation shall possess and may exercise all the powers and privileges that are necessary or convenient to the conduct, promotion or attainment of the business or purposes of the Corporation.

ARTICLE III

REGISTERED AGENT

The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The name of the Corporation's registered agent at such address is The Corporation Trust Company.

ARTICLE IV

CAPITALIZATION

Section 4.1 Authorized Capital Stock. Subject to Section 4.2, the total number of shares of all classes of capital stock, each with a par value of \$0.0001 per share, which the Corporation is authorized to issue is 261,000,000 shares, consisting of (a) 260,000,000 shares of common stock (the "Common Stock"), including (i) 200,000,000 shares of Class A Common Stock (the "Class A Common Stock"), (ii) 50,000,000 shares of Class B Common Stock (the "Class B Common Stock"), and 10,000,000 shares of Class F Common Stock (the "Class F Common Stock") and (b) 1,000,000 shares of preferred stock (the "Preferred Stock").

Section 4.2 Class F Common Stock. Upon the filing of the Second Amended and Restated Certificate with the Secretary of State of the State of Delaware, each share of Class F Common Stock outstanding immediately prior to the filing of the Second Amended and Restated Certificate was automatically converted into one share of Class A Common Stock without any action on the part of any person, including the Corporation, and concurrently with such conversion, the number of authorized shares of Class F Common Stock was reduced to zero. It is intended that the conversion of Class F Common Stock into Class A Common Stock will be treated as a reorganization within the meaning of Section 368(a)(1)(E) of the Internal Revenue Code of 1986, as amended.

Section 4.3 Preferred Stock. The Preferred Stock may be issued from time to time in one or more series. The Board is hereby expressly authorized to provide for the issuance of shares of the Preferred Stock in one or more series and to establish from time to time the number of shares to be included in each such series and to fix the voting rights, if any, designations, powers, preferences and relative, participating, optional and other special rights, if any, of each such series and any qualifications, limitations and restrictions thereof, as shall be stated in the resolution or resolutions adopted by the Board providing for the issuance of such series and included in a certificate of designation (a "Preferred Stock Designation") filed pursuant to the DGCL, and the Board is hereby expressly vested with the authority to the full extent provided by law, now or hereafter, to adopt any such resolution or resolutions.

Section 4.4 Common Stock.

(a) Except as otherwise required by law or this Third Amended and Restated Certificate (including any Preferred Stock Designation), the holders of the Common Stock shall possess all voting power with respect to the Corporation. The holders of shares of Common Stock shall be entitled to one vote for each such share on each matter properly submitted to the stockholders on which the holders of the Common Stock are entitled to vote. The holders of shares of Class A Common Stock and Class B Common Stock shall at all times vote together as one class on all matters submitted to a vote of the stockholders of the Corporation.

(b) Except as otherwise required by law or this Third Amended and Restated Certificate (including any Preferred Stock Designation), at any annual or special meeting of the stockholders of the Corporation, the holders of the Common Stock shall have the exclusive right to vote for the election of directors and on all other matters properly submitted to a vote of the stockholders. Notwithstanding the foregoing, except as otherwise required by law or this Third Amended and Restated Certificate (including a Preferred Stock Designation), the holders of the Common Stock shall not be entitled to vote on any amendment to this Third Amended and Restated Certificate (including any amendment to any Preferred Stock Designation) that relates solely to the terms of one or more outstanding series of the Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Third Amended and Restated Certificate (including any Preferred Stock Designation).

(c) Subject to the rights, if any, of the holders of any outstanding series of the Preferred Stock, the holders of the Common Stock shall be entitled to receive such dividends and other distributions (payable in cash, property or capital stock of the Corporation) when, as and if declared thereon by the Board from time to time out of any assets or funds of the Corporation legally available therefor, and shall share equally on a per share basis in such dividends and distributions; provided, however, that the holders of Class B Common Stock shall not be entitled to share in any such dividends or other distributions.

(d) Subject to the rights, if any, of the holders of any outstanding series of the Preferred Stock, in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation, the holders of the Common Stock shall be entitled to receive all the remaining assets of the Corporation available for distribution to its stockholders, ratably in proportion to the number of shares of the Common Stock held by them; provided, however, that the holders of Class B Common Stock shall not be entitled to receive any portion of any such assets in respect of their shares of Class B Common Stock.

Section 4.5 Rights and Options. The Corporation has the authority to create and issue rights, warrants and options entitling the holders thereof to purchase shares of any class or series of the Corporation's capital stock or other securities of the Corporation, and such rights, warrants and options shall be evidenced by instrument(s) approved by the Board. The Board is empowered to set the exercise price, duration, times for exercise and other terms and conditions of such rights,

warrants or options; provided, however, that the consideration to be received for any shares of capital stock subject thereto may not be less than the par value thereof.

Section 4.6 Class B Common Stock.

(a) Shares of Class B Common Stock may only be issued to and held by the CDM Holders (as defined in Section 10.3) and their respective Permitted Transferees (as defined in the LP Agreement) and any other transferee of Class B Units to the extent permitted by the LP Agreement (collectively, the “Permitted Holders”).

(b) At any time Hostess Holdings issues a Class B Unit to a Permitted Holder, the Corporation shall issue a share of Class B Common Stock to such Permitted Holder. Upon the conversion or cancellation of any Class B Units pursuant to the Exchange Agreement and the LP Agreement, the corresponding share of Class B Common Stock automatically shall be cancelled for no consideration being paid or issued with respect thereto and without any action on the part of any person, including the Corporation, subject to the terms of the Exchange Agreement and LP Agreement. Any such cancelled shares of Class B Common Stock shall be deemed no longer outstanding, and all rights with respect to such shares shall automatically cease and terminate. Shares of Class B Common Stock may only be transferred to a person other than the Corporation or Hostess Holdings if the transferee is a Permitted Holder and an equal number of Class B Units are simultaneously transferred to such transferee in accordance with the LP Agreement. If Class B Units are being transferred to a Permitted Holder in accordance with the LP Agreement, an equal number of shares of Class B Common Stock must be simultaneously transferred to such transferee. The Corporation shall take all actions necessary so that, for so long as the Class B Common Stock is outstanding, the number of shares of Class B Common Stock outstanding equals the number of Class B Units outstanding and held by the Permitted Holders. For the avoidance of doubt, nothing herein restricts the ability of the Permitted Holders from surrendering shares of Class B Common Stock to the Corporation or Hostess Holdings pursuant to the Exchange Agreement.

(c) The Corporation shall, and shall cause the General Partner and Hostess Holdings to, take all actions necessary so that, for as long as the Class B Common Stock is outstanding, the number of Class B Units outstanding equals the number of shares of Class B Common Stock outstanding. The Corporation shall take all such other actions as may be reasonably necessary or advisable to give effect to the intended substantive economic results of the provisions of this Third Amended and Restated Certificate, the Exchange Agreement and the LP Agreement.

(d) At any time when there are no longer any shares of Class B Common Stock outstanding, this Third Amended and Restated Certificate automatically shall be deemed amended to delete this Section 4.6 in its entirety.

(e) As used in this Third Amended and Restated Certificate, the term:

(i) “Class A Units” means the Class A Units of Hostess Holdings.

(ii) “Class B Units” means the Class B Units of Hostess Holdings.

(iii) “Exchange Agreement” means the Exchange Agreement, dated as of November 4, 2016, by and among the Corporation, Hostess Holdings, CDM Hostess Co-Invest, LLC and each of its series, CDM Hostess Class C, LLC and each of its series, and such other holders of Class B Units from time to time party thereto, as it may be amended from time to time in accordance with its terms.

(iv) “General Partner” means Hostess Holdings GP, LLC or any person who becomes an additional, successor or substitute general partner of Hostess Holdings pursuant to the LP Agreement.

(v) “Hostess Holdings” means Hostess Holdings, L.P., a Delaware limited liability partnership.

(vi) “LP Agreement” means the Fourth Amended and Restated Limited Partnership Agreement of Hostess Holdings, dated as of November 4, 2016, as amended from time to time in accordance with its terms.

(vii) “Master Transaction Agreement” means the Master Transaction Agreement, dated as of July 5, 2016, by and among the Corporation, Homer Merger Sub, Inc., AP Hostess Holdings, L.P., Hostess CDM Co-Invest, LLC, CDM Hostess Class C, LLC and AP Hostess Holdings, L.P. in its capacity as Sellers’ Representative thereunder, as amended from time to time in accordance with its terms.

ARTICLE V

BOARD OF DIRECTORS

Section 5.1 Board Powers. The business and affairs of the Corporation shall be managed by, or under the direction of, the Board. In addition to the powers and authority expressly conferred upon the Board by statute, this Third Amended and Restated Certificate or the Amended and Restated Bylaws of the Corporation (“Bylaws”), the Board is hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the DGCL and this Third Amended and Restated Certificate.

Section 5.2 Number, Election and Term.

(a) The number of directors of the Corporation, other than those who may be elected by the holders of one or more series of the Preferred Stock voting separately by class or series, shall be fixed from time to time exclusively by the Board pursuant to a resolution adopted by a majority of the Board.

(b) Subject to Section 5.5 hereof, a director shall hold office until his or her successor has been elected and qualified, subject, however, to such director’s earlier death, resignation, retirement, disqualification or removal.

(c) Unless and except to the extent that the Bylaws shall so require, the election of directors need not be by written ballot.

Section 5.3 Newly Created Directorships and Vacancies. Subject to Section 5.5 hereof, newly created directorships resulting from an increase in the number of directors and any vacancies on the Board resulting from death, resignation, retirement, disqualification, removal or other cause shall be filled solely by a majority vote of the remaining directors then in office, even if less than a quorum, or by a sole remaining director (and not by stockholders), and any director so chosen shall hold office for the remainder of the full term of the class of directors to which the new directorship was added or in which the vacancy occurred and until his or her successor has been elected and qualified, subject, however, to such director's earlier death, resignation, retirement, disqualification or removal.

Section 5.4 Removal. Subject to Section 5.5 hereof, any or all of the directors may be removed from office at any time, with or without cause by the affirmative vote of holders of a majority of the voting power of all then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

Section 5.5 Preferred Stock – Directors. Notwithstanding any other provision of this Article V, and except as otherwise required by law, whenever the holders of one or more series of the Preferred Stock shall have the right, voting separately by class or series, to elect one or more directors, the term of office, the filling of vacancies, the removal from office and other features of such directorships shall be governed by the terms of such series of the Preferred Stock as set forth in this Third Amended and Restated Certificate (including any Preferred Stock Designation).

ARTICLE VI

BYLAWS

In furtherance and not in limitation of the powers conferred upon it by law, the Board shall have the power to adopt, amend, alter or repeal the Bylaws. The affirmative vote of a majority of the Board shall be required to adopt, amend, alter or repeal the Bylaws. The Bylaws also may be adopted, amended, altered or repealed by the stockholders; provided, however, that in addition to any vote of the holders of any class or series of capital stock of the Corporation required by law or by this Third Amended and Restated Certificate (including any Preferred Stock Designation), the affirmative vote of the holders of at least a majority of the voting power of all then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required for the stockholders to adopt, amend, alter or repeal the Bylaws; and provided further, however, that no Bylaws hereafter adopted by the stockholders shall invalidate any prior act of the Board that would have been valid if such Bylaws had not been adopted.

ARTICLE VII

MEETINGS OF STOCKHOLDERS; ACTION BY WRITTEN CONSENT

Section 7.1 Meetings. Subject to the rights of the holders of any outstanding series of the Preferred Stock, and to the requirements of applicable law, special meetings of stockholders of

the Corporation may be called only by the Chairman of the Board or Executive Chairman of the Board, as applicable, Chief Executive Officer of the Corporation, or the Board pursuant to a resolution adopted by a majority of the Board, and the ability of the stockholders to call a special meeting is hereby specifically denied.

Section 7.2 Advance Notice. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws.

Section 7.3 Action by Written Consent. Any action required or permitted to be taken by the stockholders of the Corporation must be effected by a duly called annual or special meeting of such holders and may not be effected by written consent of the stockholders.

ARTICLE VIII

LIMITED LIABILITY; INDEMNIFICATION

Section 8.1 Limitation of Director Liability. A director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or may hereafter be amended. Any amendment, modification or repeal of the foregoing sentence shall not adversely affect any right or protection of a director of the Corporation hereunder in respect of any act or omission occurring prior to the time of such amendment, modification or repeal.

Section 8.2 Indemnification and Advancement of Expenses.

(a) To the fullest extent permitted by Delaware law, as the same exists or may hereafter be amended, the Corporation shall indemnify and hold harmless each person who is or was made a party or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Corporation to procure a judgment in its favor (each, a "proceeding"), by reason of the fact that he or she is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, other enterprise or nonprofit entity, including service with respect to an employee benefit plan (an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent, or in any other capacity while serving as a director, officer, employee or agent, against all liability and loss suffered and expenses (including, without limitation, attorneys' fees and disbursements, judgments, fines, ERISA excise taxes, damages, claims and penalties and amounts paid in settlement) reasonably incurred by such indemnitee in connection with such proceeding. The Corporation shall to the fullest extent not prohibited by applicable law pay the expenses (including attorneys' fees) incurred by an indemnitee in defending or otherwise participating in any proceeding in advance of its final disposition; provided, however, that, to the extent required by applicable law, such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking, by or on behalf of the indemnitee,

to repay all amounts so advanced if it shall ultimately be determined that the indemnitee is not entitled to be indemnified under this Section 8.2 or otherwise. The rights to indemnification and advancement of expenses conferred by this Section 8.2 shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators. Notwithstanding the foregoing provisions of this Section 8.2(a), except for proceedings to enforce rights to indemnification and advancement of expenses, the Corporation shall indemnify and advance expenses to an indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board.

(b) The rights to indemnification and advancement of expenses conferred on any indemnitee by this Section 8.2 shall not be exclusive of any other rights that any indemnitee may have or hereafter acquire under law, this Third Amended and Restated Certificate, the Bylaws, an agreement, vote of stockholders or disinterested directors, or otherwise.

(c) Any repeal or amendment of this Section 8.2 by the stockholders of the Corporation or by changes in law, or the adoption of any other provision of this Third Amended and Restated Certificate inconsistent with this Section 8.2, shall, unless otherwise required by law, be prospective only (except to the extent such amendment or change in law permits the Corporation to provide broader indemnification rights on a retroactive basis than permitted prior thereto), and shall not in any way diminish or adversely affect any right or protection existing at the time of such repeal or amendment or adoption of such inconsistent provision in respect of any proceeding (regardless of when such proceeding is first threatened, commenced or completed) arising out of, or related to, any act or omission occurring prior to such repeal or amendment or adoption of such inconsistent provision.

(d) This Section 8.2 shall not limit the right of the Corporation, to the extent and in the manner authorized or permitted by law, to indemnify and to advance expenses to persons other than indemnitees.

ARTICLE IX

CORPORATE OPPORTUNITY

(a) The doctrine of corporate opportunity, or any other analogous doctrine, shall not apply with respect to the Corporation or any of its officers or directors in circumstances where the application of any such doctrine to a corporate opportunity would conflict with any fiduciary duties or contractual obligations they may have as of the date of the Second Amended and Restated Certificate or in the future. In addition to the foregoing, the doctrine of corporate opportunity shall not apply to any other corporate opportunity with respect to any of the directors or officers of the Corporation unless such corporate opportunity is offered to such person solely in his or her capacity as a director or officer of the Corporation and such opportunity is one the Corporation is legally and contractually permitted to undertake and would otherwise be reasonable for the Corporation to pursue.

(b) Without limiting the foregoing, to the extent permitted by applicable law, each of the Sellers (as defined in the Master Transaction Agreement), their respective Affiliates (as defined in

Article 10.3) (other than the Corporation and its subsidiaries) and, to the extent any Seller is a series limited liability company, any series thereof and all of their respective partners, principals, directors, officers, members, managers, equity holders and/or employees, including any of the foregoing who serve as officers or directors of the Corporation (each, an "Exempted Person") shall not have any fiduciary duty to refrain from engaging directly or indirectly in the same or similar business activities or lines of business as the Corporation or any of its subsidiaries, except as otherwise expressly provided in any agreement entered into between the Company and such Exempted Person. To the fullest extent permitted by applicable law, the Corporation, on behalf of itself and its subsidiaries, renounces any interest or expectancy of the Corporation and its subsidiaries in, or in being offered an opportunity to participate in, business opportunities that are from time to time available to the Exempted Persons, even if the opportunity is one that the Corporation or its subsidiaries might reasonably be deemed to have pursued or had the ability or desire to pursue if granted the opportunity to do so, and each such Exempted Person shall have no duty to communicate or offer such business opportunity to the Corporation (and there shall be no restriction on the Exempted Persons using the general knowledge and understanding of the industry in which the Corporation operates which it has gained as an Exempted Person in considering and pursuing such opportunities or in making investment, voting, monitoring, governance or other decisions relating to other entities or securities) and, to the fullest extent permitted by applicable law, shall not be liable to the Corporation or any of its subsidiaries or stockholders for breach of any fiduciary or other duty, as a director or officer or otherwise, by reason of the fact that such Exempted Person pursues or acquires such business opportunity, directs such business opportunity to another person or fails to present such business opportunity, or information regarding such business opportunity, to the Corporation or its subsidiaries, or uses such knowledge and understanding in the manner described herein, in each case, except as otherwise expressly provided in any agreement entered into between the Company and such Exempted Person. In addition to and notwithstanding the foregoing, a corporate opportunity shall not be deemed to belong to the Corporation if it is a business opportunity that the Corporation is not financially able or contractually permitted or legally able to undertake, or that is, from its nature, not in the line of the Corporation's business or is of no practical advantage to it or that is one in which the Corporation has no interest or reasonable expectancy. Any person or entity purchasing or otherwise acquiring any interest in any shares of stock of the Corporation shall be deemed to have notice of the provisions of this Article IX.

(c) Neither the alteration, amendment, addition to or repeal of this Article IX, nor the adoption of any provision of this Third Amended and Restated Certificate (including any Preferred Stock Designation) inconsistent with this Article IX, shall eliminate or reduce the effect of this Article IX in respect of any business opportunity first identified or any other matter occurring, or any cause of action, suit or claim that, but for this Article IX, would accrue or arise, prior to such alteration, amendment, addition, repeal or adoption. This Article IX shall not limit any protections or defenses available to, or indemnification or advancement rights of, any director or officer of the Corporation under this Third Amended and Restated Certificate, the Bylaws or applicable law.

ARTICLE X

BUSINESS COMBINATIONS

Section 10.1 Opt Out of DGCL 203. The Corporation shall not be governed by Section 203 of the DGCL.

Section 10.2 Limitations on Business Combinations. Notwithstanding the foregoing, the Corporation shall not engage in any business combination, at any point in time at which the Common Stock is registered under Section 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended, with any interested stockholder for a period of three (3) years following the time that such stockholder became an interested stockholder, unless:

(a) prior to such time, the Board approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder; or

(b) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the Corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned by (i) persons who are directors and also officers or (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

(c) at or subsequent to such time, the business combination is approved by the Board and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two thirds of the outstanding voting stock of the Corporation which is not owned by the interested stockholder.

Section 10.3 Definitions. For purposes of this Article X, the term:

(a) “Affiliate” means, with respect to any person, any other person that controls, is controlled by, or is under common control with such person.

(b) “associate,” when used to indicate a relationship with any person, means: (i) any corporation, partnership, unincorporated association or other entity of which such person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock; (ii) any trust or other estate in which such person has at least a 20% beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity; and (iii) any relative or spouse of such person, or any relative of such spouse, who has the same residence as such person.

(c) “business combination,” when used in reference to the Corporation and any interested stockholder of the Corporation, means:

(i) any merger or consolidation of the Corporation or any direct or indirect majority-owned subsidiary of the Corporation (A) with the interested stockholder, or (B) with any other corporation, partnership, unincorporated association or other entity if the merger or consolidation is caused by the interested stockholder and as a result of such merger or consolidation Section 10.2 is not applicable to the surviving entity;

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), except proportionately as a stockholder of the Corporation, to or with the interested stockholder, whether as part of a dissolution or otherwise, of assets of the Corporation or of any direct or indirect majority-owned subsidiary of the Corporation which assets have an aggregate market value equal to 10% or more of either the aggregate market value of all the assets of the Corporation determined on a consolidated basis or the aggregate market value of all the outstanding stock of the Corporation;

(iii) any transaction which results in the issuance or transfer by the Corporation or by any direct or indirect majority-owned subsidiary of the Corporation of any stock of the Corporation or of such subsidiary to the interested stockholder, except: (A) pursuant to the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into stock of the Corporation or any such subsidiary which securities were outstanding prior to the time that the interested stockholder became such; (B) pursuant to a merger under Section 251(g) of the DGCL; (C) pursuant to a dividend or distribution paid or made, or the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into stock of the Corporation or any such subsidiary which security is distributed, pro rata to all holders of a class or series of stock of the Corporation subsequent to the time the interested stockholder became such; (D) pursuant to an exchange offer by the Corporation to purchase stock made on the same terms to all holders of said stock; or (E) any issuance or transfer of stock by the Corporation; provided, however, that in no case under items (C) – (E) of this subsection (iii) shall there be an increase in the interested stockholder's proportionate share of the stock of any class or series of the Corporation or of the voting stock of the Corporation (except as a result of immaterial changes due to fractional share adjustments);

(iv) any transaction involving the Corporation or any direct or indirect majority-owned subsidiary of the Corporation which has the effect, directly or indirectly, of increasing the proportionate share of the stock of any class or series, or securities convertible into the stock of any class or series, of the Corporation or of any such subsidiary which is owned by the interested stockholder, except as a result of immaterial changes due to fractional share adjustments or as a result of any purchase or redemption of any shares of stock not caused, directly or indirectly, by the interested stockholder; or

(v) any receipt by the interested stockholder of the benefit, directly or indirectly (except proportionately as a stockholder of the Corporation), of any loans, advances, guarantees, pledges, or other financial benefits (other than those expressly permitted in subsections (i)-(iv) above) provided by or through the Corporation or any direct or indirect majority-owned subsidiary.

(d) "CDM Holders" means CDM Hostess Co-Invest, LLC and each of its series, CDM Hostess Class C, LLC and each of its series and C. Dean Metropoulos (at such time as he may hold shares of Class B Common Stock).

(e) "control," including the terms "controlling," "controlled by" and "under common control with," means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting stock, by contract, or otherwise. A person who is the owner of 20% or more of the outstanding voting

stock of the Corporation, partnership, unincorporated association or other entity shall be presumed to have control of such entity, in the absence of proof by a preponderance of the evidence to the contrary. Notwithstanding the foregoing, a presumption of control shall not apply where such person holds voting stock, in good faith and not for the purpose of circumventing this Article X, as an agent, bank, broker, nominee, custodian or trustee for one or more owners who do not individually or as a group have control of such entity.

(f) “interested stockholder” means any person (other than the Corporation or any direct or indirect majority-owned subsidiary of the Corporation) that (i) is the owner of 15% or more of the outstanding voting stock of the Corporation, or (ii) is an Affiliate or associate of the Corporation and was the owner of 15% or more of the outstanding voting stock of the Corporation at any time within the three (3) year period immediately prior to the date on which it is sought to be determined whether such person is an interested stockholder, or (iii) an Affiliate or associate of any such person described in clauses (i) and (ii); provided, however, that the term “interested stockholder” shall not include (A) the Sponsor Holders or their transferees, or (B) any person whose ownership of shares in excess of the 15% limitation set forth herein is the result of any action taken solely by the Corporation; provided, that such person specified in this clause (B) shall be an interested stockholder if thereafter such person acquires additional shares of voting stock of the Corporation, except as a result of further corporate action not caused, directly or indirectly, by such person. For the purpose of determining whether a person is an interested stockholder, the voting stock of the Corporation deemed to be outstanding shall include stock deemed to be owned by the person through application of the definition of “owner” below but shall not include any other unissued stock of the Corporation which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(g) “owner,” including the terms “own” and “owned,” when used with respect to any stock, means a person that individually or with or through any of its Affiliates or associates:

(i) beneficially owns such stock, directly or indirectly; or

(ii) has (A) the right to acquire such stock (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; provided, however, that a person shall not be deemed the owner of stock tendered pursuant to a tender or exchange offer made by such person or any of such person’s Affiliates or associates until such tendered stock is accepted for purchase or exchange; or (B) the right to vote such stock pursuant to any agreement, arrangement or understanding; provided, however, that a person shall not be deemed the owner of any stock because of such person’s right to vote such stock if the agreement, arrangement or understanding to vote such stock arises solely from a revocable proxy or consent given in response to a proxy or consent solicitation made to 10 or more persons; or

(iii) has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent as described in item (B) of subsection (ii) above), or disposing of such stock with any other person that beneficially owns, or whose Affiliates or associates beneficially own, directly or indirectly, such stock.

(h) “person” means any individual, corporation, partnership, unincorporated association or other entity.

(i) “stock” means, with respect to any corporation, capital stock and, with respect to any other entity, any equity interest.

(j) “Sponsor Holders” means (i) the investment funds affiliated with The Gores Group LLC and their respective successors and Affiliates, (ii) the investment funds affiliated with Apollo Global Management and their respective successors and Affiliates and (iii) the CDM Holders and their respective successors and Affiliates.

(k) “voting stock” means stock of any class or series entitled to vote generally in the election of directors.

ARTICLE XI

AMENDMENT OF AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Third Amended and Restated Certificate (including any Preferred Stock Designation), in the manner now or hereafter prescribed by this Third Amended and Restated Certificate and the DGCL; and, except as set forth in Article VIII, all rights, preferences and privileges herein conferred upon stockholders, directors or any other persons by and pursuant to this Third Amended and Restated Certificate in its present form or as hereafter amended are granted subject to the right reserved in this Article XI.

IN WITNESS WHEREOF, Hostess Brands, Inc. has caused this Third Amended and Restated Certificate to be duly executed in its name and on its behalf by an authorized officer as of the date first set forth above.

HOSTESS BRANDS, INC.

By: /s/ Andrew P. Callahan

Name: Andrew P. Callahan

Title: President and Chief Executive Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Andrew P. Callahan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hostess Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2020

/s/ Andrew P. Callahan

President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Brian T. Purcell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hostess Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2020

/s/ Brian T. Purcell

*Executive Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)*

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Hostess Brands, Inc., (the "Company") on Form 10-Q for the fiscal quarter ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew P. Callahan, Chief Executive Officer of the Company, certify, based on my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2020

/s/ Andrew P. Callahan

*President and Chief Executive Officer
(Principal Executive Officer)*

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Hostess Brands, Inc., (the "Company") on Form 10-Q for the fiscal quarter ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian T. Purcell, Chief Financial Officer of the Company, certify, based on my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2020

/s/ Brian T. Purcell

*Executive Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)*

This certification accompanies the Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.