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

March 31, 2021

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	**47-4168492**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7905 Quivira Road **Lenexa, KS**	**66215**
(Address of principal executive offices)	(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	TWNKW	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 - 131,294,192 shares at May 10, 2021

HOSTESS BRANDS, INC.
FORM 10-Q
For the Three Months Ended March 31, 2021

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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 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/A for the year ended December 31, 2020 and herein, as updated by subsequent filings. 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)

	March 31, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 197,846	$ 173,034
Accounts receivable, net	159,492	125,550
Inventories	52,144	49,348
Prepaids and other current assets	8,468	21,614
Total current assets	417,950	369,546
Property and equipment, net	306,995	303,959
Intangible assets, net	1,962,025	1,967,903
Goodwill	706,615	706,615
Other assets, net	17,166	17,446
Total assets	$ 3,410,751	$ 3,365,469
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Long-term debt and lease obligations payable within one year	$ 13,508	$ 13,811
Tax receivable agreement payments payable within one year	10,200	11,800
Accounts payable	76,106	61,428
Customer trade allowances	47,514	46,779
Warrant liabilities	785	861
Accrued expenses and other current liabilities	38,855	55,715
Total current liabilities	186,968	190,394
Long-term debt and lease obligations	1,110,101	1,113,037
Tax receivable agreement obligations	144,744	144,744
Deferred tax liability	303,880	295,009
Other long-term liabilities	1,575	1,560
Total liabilities	1,747,268	1,744,744
Commitments and Contingencies (Note 10)		
Class A common stock, $0.0001 par value, 200,000,000 shares authorized, 131,184,826 and 130,347,464 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively	13	13
Additional paid in capital	1,290,882	1,281,018
Accumulated other comprehensive loss	(4,245)	(10,407)
Retained earnings	382,833	356,101
Treasury stock	(6,000)	(6,000)
Stockholders' equity	1,663,483	1,620,725
Total liabilities and stockholders' equity	$ 3,410,751	$ 3,365,469

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	
	March 31, 2021	**March 31, 2020**
Net revenue	$ 265,421	$ 243,485
Cost of goods sold	169,902	164,148
Gross profit	95,519	79,337
Operating costs and expenses:		
Advertising and marketing	11,781	10,063
Selling expense	8,630	18,120
General and administrative	22,185	25,195
Amortization of customer relationships	5,878	6,484
Business combination transaction costs	—	4,282
Other operating expense	—	27
Total operating costs and expenses	48,474	64,171
Operating income	47,045	15,166
Other expense (income):		
Interest expense, net	10,017	11,725
Change in fair value of warrant liabilities	(76)	(79,100)
Other expense	363	553
Total other expense (income)	10,304	(66,822)
Income before income taxes	36,741	81,988
Income tax expense	10,009	248
Net income	26,732	81,740
Less: Net income attributable to the non-controlling interest	—	292
Net income attributable to Class A stockholders	$ 26,732	$ 81,448
Earnings per Class A share:		
Basic	$ 0.20	$ 0.66
Diluted	$ 0.19	$ 0.02
Weighted-average shares outstanding:		
Basic	130,839,313	123,123,656
Diluted	137,186,889	126,075,126

See accompanying notes to the unaudited consolidated financial statements.

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

	Three Months Ended	
	March 31, 2021	**March 31, 2020**
Net income	$ 26,732	$ 81,740
Other comprehensive income (loss):		
Unrealized gain (loss) on interest rate swap designated as a cash flow hedge	7,060	(12,789)
Reclassification into net income	1,327	81
Income tax benefit (expense)	(2,225)	3,169
Comprehensive income	32,894	72,201
Less: Comprehensive loss attributed to non-controlling interest	—	(437)
Comprehensive income attributed to Class A stockholders	$ 32,894	$ 72,638

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		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance–December 31, 2020	130,347	$ 13	$ 1,281,018	$ (10,407)	$ 356,101	444	$ (6,000)	$ 1,620,725
Comprehensive income	—	—	—	6,162	26,732	—	—	32,894
Share-based compensation	146	—	2,723	—	—	—	—	2,723
Exercise of employee stock options	20	—	262	—	—	—	—	262
Exercise of public warrants	672	—	7,722	—	—	—	—	7,722
Payment of taxes for employee stock awards	—	—	(843)	—	—	—	—	(843)
Reclassification of public warrants	—	—	—	—	—	—	—	—
Balance–March 31, 2021	131,185	$ 13	$ 1,290,882	$ (4,245)	$ 382,833	444	$ (6,000)	$ 1,663,483

	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, 2019	122,107	$ 12	8,411	$ 1	$ 1,123,805	$ (756)	$ 251,425	$ 1,374,487	$ 94,432
Comprehensive income (loss)	—	—	—	—	—	(8,810)	81,448	72,638	(437)
Share-based compensation, net of income taxes of $03	106	—	—	—	2,180	—	—	2,180	—
Exchanges	969	—	(969)	—	11,819	(17)	—	11,802	(11,802)
Distributions	—	—	—	—	—	—	—	—	(1,613)
Exercise of employee stock options	2	—	—	—	153	—	—	153	—
Payment of taxes for employee stock awards	—	—	—	—	(1,004)	—	—	(1,004)	—
Exercise of public warrants	1	—	—	—	2	—	—	2	—
Tax receivable agreement arising from exchanges, net of income taxes of $1,341	—	—	—	—	(1,942)	—	—	(1,942)	—
Balance–March 31, 2020	123,185	$ 12	7,442	$ 1	$ 1,135,013	$ (9,583)	$ 332,873	$ 1,458,316	$ 80,580

See accompanying notes to the unaudited consolidated financial statements.

HOSTESS BRANDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, amounts in thousands)

	Three Months Ended	
	March 31, 2021	March 31, 2020
Operating activities		
Net income	26,732	$ 81,740
Depreciation and amortization	12,691	12,821
Debt discount amortization	311	338
Change in fair value of warrant liabilities	(76)	(79,100)
Unrealized foreign exchange losses	123	286
Non-cash lease expense	329	590
Share-based compensation	2,723	2,077
Deferred taxes	6,646	(649)
Loss on sale of assets	—	27
Change in operating assets and liabilities, net of acquisitions and dispositions:		
Accounts receivable	(34,204)	(17,463)
Inventories	(2,796)	5,180
Prepaids and other current assets	13,112	3,270
Accounts payable and accrued expenses	6,582	864
Customer trade allowances	680	3,161
Net cash provided by operating activities	32,853	13,142
Investing activities		
Purchases of property and equipment	(10,251)	(11,323)
Acquisition of business, net of cash acquired	—	(318,427)
Acquisition and development of software assets	(634)	(1,793)
Net cash used in investing activities	(10,885)	(331,543)
Financing activities		
Repayments of long-term debt and lease obligations	(2,792)	(2,792)
Proceeds from long-term debt origination, net of fees paid	—	136,888
Distributions to non-controlling interest	—	(1,614)
Tax payments related to issuance of shares to employees	(843)	(1,004)
Cash received from exercise of options and warrants	7,984	155
Payments on tax receivable agreement	(1,600)	(1,279)
Net cash used in financing activities	2,749	130,354
Effect of exchange rate changes on cash and cash equivalents	95	(873)
Net increase (decrease) in cash and cash equivalents	24,812	(188,920)
Cash and cash equivalents at beginning of period	173,034	285,087
Cash and cash equivalents at end of period	$ 197,846	$ 96,167
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 9,807	$ 10,758
Net taxes paid (refunded)	$ (8,191)	$ (586)
Supplemental disclosure of non-cash investing:		
Accrued capital expenditures	$ 4,026	$ 2,014

See accompanying notes to the 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 Hostess® brand dates back to 1919 when Hostess® CupCake was introduced to the public, followed by Twinkies® in 1930.

Basis of Presentation

The Company’s operations are conducted through operating subsidiaries that are wholly-owned by the Company. 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”). The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned, majority-owned or controlled subsidiaries, collectively referred to as the Company.

For the periods presented, the Company has one reportable segment.

Adoption of New Accounting Standards

In March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting,” which provides practical expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The expedients and exceptions provided by the amendments in this update apply only to contracts, hedging relationships, and other transactions that reference the London interbank offered rate (“LIBOR”) or another reference rate expected to be discontinued as a result of reference rate reform. These amendments are not applicable to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. ASU No. 2020-04 is elective and effective as of March 12, 2020 through December 31, 2022 and may be applied to contract modifications and hedging relationships from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020. Once elected, this ASU must be applied prospectively for all eligible contract modifications. We will adopt Topic 848 when our relevant contracts are modified upon transition to alternative reference rates. We do not expect our adoption of Topic 848 to have a material impact on our consolidated financial statements.

In December 2019, ASU 2019-12 “Income Taxes: Simplifying the Accounting for Income Taxes (Topic 740)” was issued. This ASU simplifies the accounting for certain income tax related items, including intraperiod tax allocations, deferred taxes related to foreign subsidiaries and step-up in tax basis of goodwill. The ASU is effective for fiscal years beginning after December 15, 2020 and early adoption is permitted. The company adopted the standard effective January 1, 2021. Adoption of Topic 740 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.

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 March 31, 2021 and December 31, 2020, the Company's accounts receivable were $159.5 million and $125.6 million, respectively, which have been reduced by an allowance for damages occurring during shipment, quality claims and doubtful accounts in the amount of $3.5 million at both March 31, 2021 and December 31, 2020.

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)	March 31, 2021	December 31, 2020
Ingredients and packaging	$ 24,557	$ 22,965
Finished goods	23,483	23,583
Inventory in transit to customers	4,104	2,800
	$ 52,144	$ 49,348

Software Costs

Capitalized software is included in "Other assets, net" in the consolidated balance sheets in the amount of $14.4 million and $14.7 million at March 31, 2021 and December 31, 2020, 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 $0.9 million for the three months ended March 31, 2021, compared to $1.3 million for the three months ended March 31, 2020.

Disaggregation of Revenue

Net revenue consists of sales of packaged food products in the United States primarily within the Sweet Baked Goods category. The Company also sells products in the United States and Canada within the Cookies category.

The following tables disaggregate revenue by geographical market and category.

	Three Months Ended March 31, 2021		
(In thousands)	Sweet Baked Goods	Cookies	Total
United States	$ 237,700	$ 23,803	$ 261,503
Canada	—	3,918	3,918
	$ 237,700	$ 27,721	$ 265,421

	Three Months Ended March 31, 2020		
(In thousands)	Sweet Baked Goods	Cookies	Total
United States	$ 226,361	$ 13,307	$ 239,668
Canada	—	3,817	3,817
	$ 226,361	$ 17,124	$ 243,485

Concentrations

The Company has one customer (together with its affiliates) that accounted 20.5% and 21.1% of total net revenue for the three months ended March 31, 2021 and 2020, respectively.

Foreign Currency Remeasurement

Certain Voortman Cookies Limited ("Voortman") sales and 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. The Company recognized losses on remeasurement of less than $0.1 million during both the three months ended March 31, 2021 and 2020, reported within other expense on the consolidated statement of operations.

2. Property and Equipment

Property and equipment consists of the following:

(In thousands)	March 31, 2021	December 31, 2020
Land and buildings	$ 61,594	$ 59,774
Right of use assets, operating	31,169	31,354
Machinery and equipment	265,615	255,821
Construction in progress	20,385	25,041
	378,763	371,990
Less accumulated depreciation and amortization	(71,768)	(68,031)
	$ 306,995	$ 303,959

Depreciation expense was $5.8 million for the three months ended March 31, 2021, compared to $5.0 million for the three months ended March 31, 2020.

3. Accrued Expenses and Other Current Liabilities

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

(In thousands)	March 31, 2021	December 31, 2020
Payroll, vacation and other compensation	$ 12,606	$ 9,886
Interest rate swap contract	5,307	13,694
Incentive compensation	5,216	16,199
Accrued interest	4,724	4,815
Other	11,002	11,121
	$ 38,855	$ 55,715

4. Debt and Lease Obligations

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

(In thousands)	March 31, 2021	December 31, 2020
Term Loan (3.0% as of March 31, 2021)		
Principal	$ 1,099,972	$ 1,102,763
Unamortized debt premium and issuance costs	(4,607)	(4,917)
	1,095,365	1,097,846
Lease obligations	28,244	29,002
Total debt and lease obligations	1,123,609	1,126,848
Less: Current portion of long term debt and lease obligations	(13,508)	(13,811)
Long-term portion	$ 1,110,101	$ 1,113,037

At March 31, 2021, minimum debt repayments under the term loan are due as follows:

(In thousands)	
2021	$ 8,376
2022	11,167
2023	11,167
2024	11,167
2025	1,058,095

Leases

The Company entered into operating leases for certain properties which expire at various times through 2026. The Company determines if an arrangement is a lease at inception.

At March 31, 2021 and 2020, right of use assets related to operating leases are included in property and equipment, net on the consolidated balance sheet (see Note 2. Property and Equipment). As of March 31, 2021 and 2020, 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.

The table below shows the composition of lease expenses:

	Three Months Ended	
(In thousands)	March 31, 2021	March 31, 2020
Operating lease expense	1,653	1,795
Short-term lease expense	203	1,014
Variable lease expense	357	554
	$ 2,213	$ 3,363

5. Derivative Instruments

Warrants

As of March 31, 2021 and December 31, 2020, there were 52,594,188 and 53,936,776 public warrants outstanding, respectively, and 541,658 private placement warrants outstanding. Each warrant entitles its holder to purchase one-half of one share of Class A common stock at an exercise price of $5.75 per half share, to be exercised only for a whole number of shares of Class A common stock. The warrants expire on November 4, 2021, or earlier upon redemption or liquidation. The Company may call the outstanding public warrants for redemption at a price of $0.01 per warrant, if the last sale price of the Company's common stock equals or exceeds $24.00 per share for any 20 trading days within a 30-trading day period ending on the third business day before the Company sends the notice of redemption to the warrant holders. The private placement warrants, however, are nonredeemable so long as they are held by Gores Sponsor, LLC or its permitted transferees. The potential resale of the private placement warrants to the public warrants has been registered with the SEC. When sold to the public, the private placement warrants will become public warrants.

The warrant agreement contains a tender offer provision that when paired with a two-class equity structure causes all warrants to be precluded from equity classification. Subsequent to the collapse of the two-class structure in November 2020 when all remaining Class B shares were exchanged for Class A shares, the tender offer provision no longer precludes the public warrants from being equity-classified. As a result, the $68.0 million liability related to the public warrants was reclassified to equity in November 2020. There are provisions specific to the private warrants which cause them to continue to be liability-classified subsequent to the exchange. As of March 31, 2021, the outstanding private warrants remain liability classified and subject to fair value measurement. The value of the each public warrant up until they were no longer classified as liabilities was based on the public trading price of warrant (Level 1 fair value measure). The fair value of each private warrant was evaluated and determined to be substantially the same as that of a public warrant and therefore considered to be a Level 2 fair value measure. The fair value of the warrants is measured on a recurring basis by comparison to available market information. Gains and losses related to the warrants are reflected in the change in fair value of warrant liabilities in the consolidated statement of operations.

The Company entered into interest rate swap contracts with counter parties to make a series of payments based on fixed rates ranging from 1.11% to 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 the March 31, 2021 notional amount of $700 million reducing by $100 million each year, until $500 million remains outstanding through August 2025. 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. At March 31, 2021, the effective fixed interest rate on the long-term debt hedged by these contracts ranged from 3.76% to 4.03%.

To reduce the effect of fluctuations in CAD denominated expenses relative to their US dollar equivalents originating from its Canadian operations, the Company entered into CAD purchase contracts. The contracts provide for the Company to sell a total of $8.6 million USD for $11.0 million CAD at varying defined settlement dates through the end of 2021. The Company has designated these contracts as cash flow hedges.

In connection with the agreement to purchase Voortman, the Company entered into a deal-contingent foreign currency contract to hedge the $440 million CAD forecasted purchase price and a portion of the subsequent expected conversion costs. The contract was settled in cash following the completion of the purchase on January 3, 2020.

A summary of the fair value of interest rate and foreign currency instruments is as follows:

(In thousands)		March 31, 2021	December 31, 2020
Liability derivatives	**Location**		
Interest rate swap contracts (1)	Accrued expenses	$ 5,307	$ 13,688
Foreign currency contracts (2)	Accrued expenses	$ —	$ 6
		$ 5,307	$ 13,694

(1) The fair values of these contracts are 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 observed market interest rate curves (Level 2).
(2) The fair values of foreign currency contracts are measure on a recurring basis by comparison to available market information on similar contracts (Level 2).

A summary of the gains and losses related to interest rate and foreign currency instruments in the consolidated statement of operations is as follows:

		Three Months Ended	
(In thousands)		March 31, 2021	March 31, 2020
Gain on derivative contracts designated as cash flow hedges	**Location**		
Interest rate swap contracts	Interest expense, net	$ 1,327	$ 81
Loss on other derivative contracts	**Location**		
Foreign currency contracts	Other expense	$ —	$ (255)

6. 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 and stock options.

Below are basic and diluted net income per share:

	Three Months Ended	
	March 31, 2021	March 31, 2020
Numerator:		
Net income attributable to Class A stockholders (in thousands) - basic	$ 26,732	$ 81,448
Less: Change in fair value of warrant liabilities	(76)	(79,100)
Numerator - diluted	26,656	2,348
Denominator:		
Weighted-average Class A shares outstanding - basic	130,839,313	123,123,656
Dilutive effect of warrants	5,830,238	2,662,441
Dilutive effect of RSUs	414,314	289,029
Dilutive effect of stock options	103,024	—
Weighted-average shares outstanding - diluted	137,186,889	126,075,126
Net income per Class A share - basic	$ 0.20	$ 0.66
Net income per Class A share - diluted	$ 0.19	$ 0.02

For warrants that are liability-classified, during periods when the impact would be dilutive, the Company assumes share settlement of the instruments as of the beginning of the reporting period and adjusts the numerator to remove the change in fair value of the warrant liability and adjusts the denominator to include the dilutive shares calculated using the treasury stock method.

For the three months ended March 31, 2021 and 2020, there were123,998 and 523,643 stock options that were excluded from the computation of diluted weighted average shares because the effect was anti-dilutive.

7. Income Taxes

The Company is subject to U.S. federal, state and local income taxes as well as Canadian income tax on its controlled foreign subsidiaries. The income tax provision is determined based on the estimated full year effective tax rate, adjusted for infrequent or unusual items, which are recognized on a discrete basis in the period they occur. The Company's estimated annual effective tax rate is approximately 27% prior to taking into account any discrete items.

The effective tax rate was27.2% and 0.3% for the three months ended March 31, 2021 and 2020, respectively. The effective tax rate for the three months ended March 31, 2021 aligned with the Company's estimated annual effective rate. The increase in tax rate is primarily attributed to the $79.1 million change in fair value of warrant liabilities in the prior-year period, which is a non-taxable gain. The effective rate was also impacted by the removal of the non-controlling interest in the current-year period and a write-off of deferred taxes in the prior-year period related to Voortman. As of March 31, 2021 and December 31, 2020, prepaid income taxes were $ 0.9 million and $12.3 million, respectively.

8. Tax Receivable Agreement Obligations

The following table summarizes activity related to the Tax Receivable Agreement for the three months ended March 31, 2021:

(In thousands)		
Balance December 31, 2020	$	156,544
Payments		(1,600)
Balance March 31, 2021	$	154,944

As of March 31, 2021 the future expected payments under the tax receivable agreement are as follows:

(In thousands)		
2021	$	10,200
2022		9,000
2023		9,700
2024		9,900
2025		9,800
Thereafter		106,344

9. 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.

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/A for the year ended December 31, 2020. 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 which produces several types of sweet baked goods (“SBG”) as well as 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 April 3, 2021, our branded SBG products (which include Hostess®, Dolly Madison®, Cloverhill® and Big Texas®) market share was 20.7% per Nielsen’s U.S. SBG category data.

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 March 31, 2021.

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 months ended March 31, 2021 and 2020. As consumers prepared for extended stays at home, we experienced an increase in consumption during the first and second quarter, particularly in our multi-pack products sold through grocery and mass retailer channels. Conversely, we experienced lower consumption of single-serve products, which are often consumed away from home. This trend moderated during the remainder of 2020, and in the first quarter of 2021 we have experienced continued strong demand in our multi-pack products as well as an increase in our immediate consumption single-serve business as mobility increases. However, we cannot predict if these trends will sustain or reverse in future periods.

At the start of the pandemic, we 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 our production and distribution facilities have continued to operate. 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 employees, are adhering to social distancing guidelines by working from home and reducing person-to-person contact while supporting our ability to bring products to consumers.

Starting in late 2020, several vaccines have been authorized for use against COVID-19 in the United States and internationally. As a result of the distribution of these vaccines, various federal state and local governments have begun to ease the movement restrictions and initiatives while continuing to require social distancing and face mask protocols. However, uncertainty continues to exist regarding the severity and duration of the pandemic, the speed and effectiveness of vaccine and treatment developments and deployment, potential variants of COVID-19, and the effect of actions taken and that will be taken to contain COVID-19 or treat its effect, among others.

Under the provisions of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, we were able to defer the payment of $5.6 million of 2020 employer payroll taxes until the second quarter of 2021. Apart from this deferral and their impact on the general economy, including the labor market and consumer demand, neither the CARES Act, the American Rescue Plan enacted in the first quarter of 2021, nor any other government program intended to address COVID-19 had any material impact on our consolidated financial statements for the three months ended March 31, 2021 or 2020. We continue to monitor any effects that may result from the CARES Act and other stimulus programs.

Operating Results

	Three Months Ended			
(In thousands, except per share data)	**March 31, 2021**		**March 31, 2020**	
Net revenue	$	265,421	$	243,485
Gross profit		95,519		79,337
As a % of net revenue		*36.0 %*		*32.6 %*
Operating costs and expenses	$	48,474	$	64,171
Operating income		47,045		15,166
Other (income) expense		10,304		(66,822)
Income tax expense		10,009		248
Net income		26,732		81,740
Net income attributable to Class A stockholders		26,732		81,448
Earnings per Class A share:				
Basic		0.20		0.66
Diluted		0.19		0.02

Results of Operations

Net Revenue

Net revenue for the three months ended March 31, 2021 was $265.4 million, an increase of 9.0%, or $21.9 million, compared to $243.5 million for the three months ended March 31, 2020. Sweet baked goods net revenue increased $11.3 million, primarily driven by higher volume of core Hostess® branded products partially offset by lower sales of private label and non-Hostess® branded products. Cookies net revenue increased $10.6 million due to the strong demand and expanded distribution of Voortman® branded products following the transition of the Voortman business to the warehouse distribution model during the first quarter of 2020.

Gross Profit

Gross profit for the three months ended March 31, 2021 was $95.5 million, or 36.0% of net revenue, compared to $79.3 million, or 32.6% of net revenue for the three months ended March 31, 2020. The increase was driven primarily by higher volume of Hostess® branded products and favorable mix. Additionally, the increase was driven by the realization of Voortman synergies and productivity efficiencies as the Voortman business was not yet transitioned to the warehouse distribution model and fully integrated in the first quarter of 2020.

Operating Costs and Expenses

Operating costs and expenses for the three months ended March 31, 2021 were $48.5 million, compared to $64.2 million for the three months ended March 31, 2020. The decrease was primarily attributed to prior year expenses incurred for the integration and conversion of Voortman's operations and the realization of operating cost synergies.

Other (Income) Expense

Other expense for the three months ended March 31, 2021 was $10.3 million compared to other income of $66.8 million for the three months ended March 31, 2020 primarily as a result of the $79.1 million gain on change in fair value of our liability-classified warrants in the three months ended March 31, 2020. Interest expense on our term loans was $9.7 million and $11.5 million for the three months ended March 31, 2021 and 2020, respectively. Interest expense on our term loan decreased in the current year due to the fluctuations in LIBOR.

Income Taxes

Our effective tax rate for the three months ended March 31, 2021 was 27.2% compared to 0.3% for the three months ended March 31, 2020. The increase in tax rate is primarily attributed to the $79.1 million change in fair value of warrant liabilities in the prior-year period, which is a non-taxable gain. The effective rate was also impacted by the removal of the non-controlling interest in the current-year period and a write-off of deferred taxes in the prior-year period related to Voortman.

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 future cash requirements include the purchase commitments for certain raw materials and packaging used in our productions process, scheduled rent on leased facilities, scheduled debt service payments on our term loan and settlements on related interest rate swap contracts, payments on our Tax Receivable Agreement, settlements on our outstanding foreign currency contracts and outstanding purchase orders on capital projects.

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 March 31, 2021 and December 31, 2020 of $33.1 million and $6.1 million, respectively. We have the ability to borrow under the Revolver to meet obligations as they come due. As of March 31, 2021, we had approximately $94.5 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 three months ended March 31, 2021 and 2020 were $32.9 million and $13.1 million, respectively. Operating cash flow increased primarily due to the Voortman transition costs paid in 2020, partially offset by an increase in accounts receivable.

Cash Flows from Investing Activities

Cash used in investing activities for the three months ended March 31, 2021 and 2020 were $10.9 million and $331.5 million, respectively. During the three months ended March 31, 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. Cash used for purchase of property and equipment reflects continued innovation through investments in new bakery lines and equipment.

Cash Flows from Financing Activities

Cash flows from financing activities were $2.7 million and $130.4 million for the three months ended March 31, 2021 and 2020, respectively. Financing activity for the current year primarily consists of cash received from the exercise of warrants partially offset by regular debt service payments. 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

As of March 31, 2021, $1,100.0 million aggregate principal amount of the Term Loan was outstanding and letters of credit worth up to $5.5 million aggregate principal amount were available, reducing the amount available under the Revolver. We had no outstanding borrowings under our Revolver as of March 31, 2021. As of March 31, 2021, 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/A for the year ended December 31, 2020.

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/A for the year ended December 31, 2020. Our exposures to market risk have not changed materially since December 31, 2020.

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 March 31, 2021, 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 ineffective due to the material weakness described below. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Subsequent to the filing of our annual report filed on February 24, 2021, management identified a material weakness in our internal control over financial reporting related to the accounting for and classification of our warrant agreements, due to the lack of an effectively designed control over the evaluation of the underlying clauses of the warrant agreement, and an insufficient understanding of the warrant agreement and accounting literature to reach a correct conclusion.

We are in the process of remediating the material weakness identified by standardizing our controls over accounting and financial reporting related to the accounting for and classification of warrants.

During the three months ended March 31, 2021, 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/A filed on May 17, 2021. There have been no material changes to our risk factors since the filing of the Form 10-K/A.

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
10.1	Hostess Brands 2021 Incentive Compensation Plan
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	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
32.2	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
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 March 31, 2021, 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 May 17, 2021.

HOSTESS BRANDS, INC.

By /s/ Brian T. Purcell

Brian T. Purcell
Executive Vice President, Chief Financial Officer

Hostess Brands, Inc. Incentive Compensation Plan for Exempt Employees

Introduction

The Hostess Brands, Inc. (the "***Company***") Incentive Compensation Plan for Exempt Employees (the "***Plan***") provides the opportunity for compensation in addition to base salary to designated employees. The Plan is designed to motivate eligible employees to grow the business through increased sales, profitability and valuable contribution within their area of expertise. While employees play many different roles within the Company, the Company will only be successful if all employees are focused on achieving common goals, strive individually for functional excellence in their assigned roles and contribute to organizational excellence as a team. Eligible employees may receive incentive compensation under the Plan ("***Incentive Comp***") if the Company achieves certain designated results (the "***Metric(s)***"). EBITDA and Net Revenue Metric(s) will be approved by the Talent and Compensation Committee (the "***Committee***").

Administration

- The Plan will be administered by the Committee, which will have the full power and authority to interpret and administer the Plan. All decisions and determinations of the Committee shall be final, conclusive and binding. The Committee may delegate such duties or responsibilities to an officer of the Company as it deems desirable.
- The Plan year begins on January 1st and ends on December 31st. The calculation of any Incentive Comp payments will be based on an eligible employee's Incentive Comp level and base salary at the end of the Plan Year. Eligible employees, as defined below, are assigned an Incentive Comp level (percentage of base salary) based on their position or specified in their offer letter. For example, if an eligible employee's base salary is $100,000 and that employee has a 20% Incentive Comp level, the Incentive Comp opportunity would be $100,000 x 20% or $20,000.

- Plan Metrics will measure achievement of (i) EBITDA, (ii) Net Revenue, and (iii) Strategic Goals weighted as follows:

    - 40% - **EBITDA**
    - 40% - **Net Revenue**
    - 20% - **Strategic Goals** (functional or individual goals as applicable)

- Attainment of not less than 93% of the Company's Annual Operating Plan ("***AOP***") established EBITDA must be achieved in order to establish funding for Incentive Comp payments under **any** Metric to occur ("***EBITDA Funding***"). If EBITDA Funding is achieved, funding for each Metric is independent and will be calculated based on the weighting noted above.

- The Strategic Goals Metric will be based on actual performance against established goals, such as revenue growth, cost control, case or dollar volume, specific tasks to be accomplished, etc.

  - Minimum of 3 goals and a maximum of 5 goals are set by the functional Manager near the start of the Plan year.

  - The amount actually paid to an eligible employee based on attainment of the Strategic Goals will be determined by the Company in its sole discretion, and each Strategic Goal will be weighted as the Company determines in its sole discretion.

- The Committee shall determine the extent to which EBITDA and Net Revenue Metrics are achieved.

- The EBITDA Metric will fund on the following schedule, subject to the Company's discretion, as described below:

% of EBITDA Achieved	% Funded
Below 93%	0%
93%	40%
94%	50%
95%	60%
96%	65%
97%	75%
98%	85%
99%	95%
100%	100%
-	-
105%	150%
-	-
110%	200%

Plan will fund incrementally at the rate 10% for every 1% of EBITDA achieved over 100%, up to a total payout of 200% performance against AOP.

- The amount funded based on attainment of the Net Revenue Metric will be determined based on the same schedule as EBITDA set out above. For example, if 98% of the Net Revenue Metric is achieved, 85% of the amount payable based on attainment of the Net Revenue Metric would be funded and eligible for payment.

- The amount funded based on attainment of the Strategic Goals Metric will be as follows: (i) if EBITDA Funding is achieved and the average of the EBITDA and Net Revenue Metrics achieved (based on the calculation of each Metric in accordance with the table above) is less than or equal to 100%, 100% of the Strategic Goals Metric would be funded and eligible for payment or (ii) if the average of the EBITDA and Net Revenue Metrics achieved is greater than 100%, the Strategic Goals Metric would be funded and eligible for payment at the same rate as the average of the EBITDA and Net Revenue Metrics achieved; provided, however, the amount funded and eligible for payment based on the Strategic Goals Metric will not exceed 150%. For example, if 100% of the EBITDA

Metric is achieved and 102% of the Net Revenue Metric achieved, the average would be 101% and the Strategic Goals Metric would be funded and eligible for payment at 110%.

- If EBITDA Funding is achieved and any eligible employee's Incentive Comp payment is reduced in accordance with the Plan so that such eligible employee does not receive 100% of the Incentive Comp available to such employee for payout based on actual Metrics achieved as provided in this Plan (the "***Un-Allocated Funds***"), the Chief Executive Officer ("***CEO***") may re-allocate the Un-Allocated Funds to other eligible employees who exceeded expectations during the Plan year; provided, however, that any re-allocation of Un-Allocated Funds to Senior Vice Presidents or above must be approved by the Committee; and provided further that no individual may receive greater than 150% payout related to Strategic Goals.

- Notwithstanding any term or condition contained in this Plan to the contrary,

    - In the event that the Company does not achieve at least 93% of the EBITDA Metric, thereby disallowing funding under the Plan, the CEO may recommend to the Committee, for its approval, that a pool equal to up to 10% of target Incentive Comp, be distributed to deserving employees, at the discretion of the CEO or, in the case of executive officers, the Committee, at the time Incentive Comp payments would otherwise be paid pursuant to this Plan. In no event shall this provision result in the payment of more than 100% of the target Incentive Comp to any single eligible employee.

    - The Committee may adjust the performance results for any Metric on account of extraordinary items or other events, as the Committee deems appropriate.

    - Working with the funds available under the Plan and within the established guidelines, Managers will be able to differentiate final award payouts by performance as to Strategic Goals Metrics.

    - Incentive Comp payouts may be adjusted up or down (or reduced to zero) based on an eligible employee's annual performance rating.

    - In addition, any and all Incentive Comp payouts under this Plan remain subject to Company discretion. The Company may reduce or eliminate any eligible employee's Incentive Comp payment on account of overall individual or functional team performance, regardless of the extent to which any Metric has been achieved. Company achievement of the EBITDA or Net Revenue Metrics does not guarantee payment hereunder to any eligible employee.

Eligibility

For purposes of the Plan, "eligible" employees are designated as full time (30 hours or more), exempt (salaried), are in a position that has been designated as eligible for Incentive Comp under this Plan and do not participate in any other annual incentive compensation plan.

Designated employees are eligible to participate in the Plan if they meet the following criteria:

- Employees who commence employment or are promoted to an eligible position after January 1st and prior to October 1st of a Plan year will be eligible to participate in the Plan for that year. Incentive Comp will be pro-rated based upon their service date.

- Employees who remain employed by the Company but are transferred out of an eligible position on or before June 30th are not eligible to receive an Incentive Comp payment under the Plan for the year of transfer. Employees who are transferred out of an eligible position after June 30th will continue to be eligible to receive an Incentive Comp payment for the year of transfer, based on the portion of the Plan year the employee was employed in an eligible position.

- Employees hired or promoted to an eligible position on or after October 1 of a Plan year will not be eligible for Incentive Comp for that year.

- An Employee must be an active employee of the Company and on the payroll as of the date on which the applicable Incentive Comp is paid.

As consideration for being eligible for receipt of Incentive Comp in any Plan year, an employee must have executed and delivered to the Company a mutually agreed form of Confidentiality Agreement and any other agreement requested by the Company in connection with such employee's employment.

Eligible Income

- Any sums paid to an eligible employee that are other than base salary payments will not be included in an Incentive Comp payment calculation.

- The Incentive Comp payment will be pro-rated for any approved unpaid leave of absence lasting 4 consecutive weeks or more, to the extent permitted by law.

- If during a Plan year, an employee becomes Incentive Comp eligible after January 1st and prior to October 1st, or changes from Incentive Comp eligible to non-Incentive Comp eligible after June 30th, actual salary for the period of employment, while in an Incentive Comp eligible position, paid during the Plan year will be the salary used for Incentive Comp calculation purposes. Thus, a person who has been hired at a base salary of $100,000 on September 30 and was paid
$25,000 in salary (1/4 of base salary for working 1/4 of the year) during the Plan year and had a 20% Incentive Comp level, assuming 100% of each Metric is achieved, would be eligible for an Incentive Comp payment of $25,000 x 20% or $5,000 for the short year.

Payment of Incentive Comp under the Plan

Incentive Comp will be paid, if at all, after completion of the audit by the Company's independent auditor of the annual financial statements for the applicable Plan year, which the Company anticipates, but cannot ensure, will be around the middle of March of the successive year.

Amendment and Termination of the Plan

The Company reserves the right to amend, modify, suspend or terminate this Plan in whole or in part at any time without advance notice to or prior approval of the Plan participants. Eligibility for participation in the Plan in one year does not confer upon any participant eligibility to participate in any subsequent year.

Additional Information

- Incentive Comp payments will not be treated as compensation for purposes of any of the Company's employee benefit plans or programs, unless otherwise provided in such employee benefit plan or program.

- Participation in the Plan is not a guarantee of any particular level of compensation or of continued employment for any period. Nothing in the Plan interferes with the Company's right to terminate an employee's employment for any reason or no reason at any time.

- The Company will withhold from any payments under the Plan an amount to satisfy applicable federal, state and local tax withholding requirements. Payments under the Plan are intended to be exempt from or comply with Section 409A of the Internal Revenue Code. However, the Company shall not be liable for any taxes, penalties, interest or other expenses that may be incurred by a participant on account of non-compliance with Section 409A of the Code.

- The Plan will be construed, administered and governed in all respect in accordance with the laws of the State of Delaware, without reference to principles of conflicts of laws.

Exhibit 31.1

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: May 17, 2021

/s/ Andrew P. Callahan

President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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: May 17, 2021

/s/ Brian T. Purcell

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

Exhibit 32.1

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 March 31, 2021 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: May 17, 2021

/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.

Exhibit 32.2

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 March 31, 2021 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: May 17, 2021

/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.