Project HC

Rationale and challenges of the acquisition of Hain Celestial group

Agenda

- ✓ Executive summary
- ✓ Group overview
- ✓ Acquisition rationale
- ✓ Summarized valuation
- ✓ Financial effect analysis
- ✓ Valuation model and assumptions

Executive summary

Executive summary

- ✓ Amazon has shifted part of its strategies to the grocery. With the recent acquisition of Whole Foods and the development of Amazon Go the group is developing its presence
- ✓ In the annual shareholder letter, the group also pinpoints its interest *"of making high-quality, natural and organic food available for everyone"*
- ✓ The Demand for healthier food products continues to permeate the industry. Health conscious shoppers prefer natural, non-GMO and environmentally friendly food options, and are willing to pay more for it. A Consumer Reports study revealed that on average, organic foods were 47% more expensive than its non-organic counterpart (1).
- ✓ The trend towards healthier options is led by millennials, which represent approximately 29.7% of the U.S. population(2) and 28.1% of the Canadian population (3). Sales of health and wellness related products are outpacing total category growth by a significant margin, and the industry is clearly .
- ✓ Hain Celestial (HC) Group is a leading organic and natural products company with operations in North America, Europe an distributive companies all around the world. The company is currently pursuing a reorganization of the activities in order to improve efficiency, integrate the vast number of controlled entities with the ultimate purpose of raising profitability. The current CEO/president and founding shareholders has announces its intention to leave its operational activities.
- ✓ Hain Celestial Group represent a great target for a potential acquisition by Amazon thanks to plenty of potential synergies. Rationale of the transaction would be related to significant opportunities to improve HC sales thanks to integration with Amazon Go, Amazon e-commerce platform and Whole Foods, improving market share and entering new markets. Additional synergies would be related to logistics, maximization of the current HC plant capacity and optimization of the structure costs.
- ✓ Taking into count for these synergies, the acquisition is likely to be accretive of the value of both the companies with the ultimate result of generating significant value for the Amazon share price.

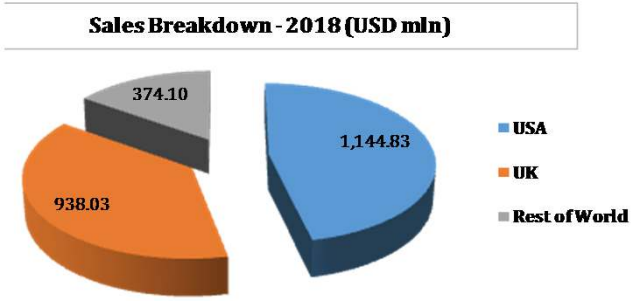
1.Consumer Reports
2.U.S. Census Bureau
3.Statistics Canada

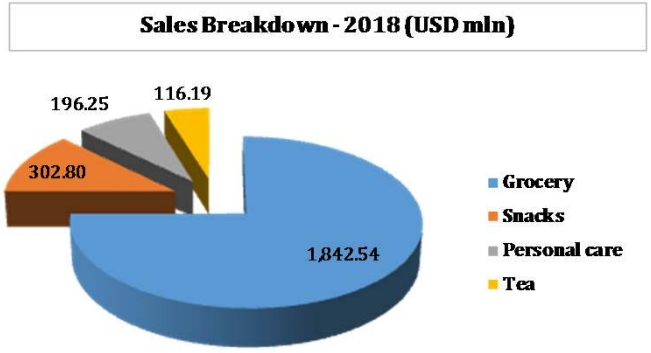
Group overview

Hain Celestial group

Financial Highlights			
USD mln	**2016**	**2017**	**2018**
Total Revenues	2,393	2,344	2,458
Ebitda adjusted	336	265	256
Ebit	102	109	106
Net profit	47	67	10
Net financial position	735	613	608
Sales growth		*-2.1%*	*4.9%*
Ebitda margin	*14.0%*	*11.3%*	*10.4%*
Ebit margin	*4.3%*	*4.7%*	*4.3%*

- ✓ Founded in 1993, listed at Nasdaq (HAIN).
- ✓ Hain Celestian is a leading organic and natural products company with operations worldwide
- ✓ The company mission is making healthier, better-for-you food and personal care products accessible to everyone, at places they already shop and at prices that make sense
- ✓ The company has products in almost all natural categories thanks to a wide range of well known brands distributed by third party retailers and groceries





U.S. Rest of World U.K.

Main features

✓ The company mission is to be the leading marketer, manufacturer and seller of organic and natural, better-for-you products thanks to:

- **High quality products:** *foods with lower content of sodium, fat, and sugar*
- **No genetically modified ingredients:** *99% of HC food products are made from non-GMO ingredients*
- **Served customers**: a vast range of customers including*: vegetarian, vegan and gluten intolerant*
- ***Natural ingredients:*** *Low processed products with no artificial preservatives, artificial colours, artificial flavours, or trans fat from hydrogenated oils*
- ***Transparency:*** *Clear and transparent information about nutrition, sustainability and sourcing*

Other company values can be related to

Differentiation

" For the past three years HC has been named one of Fortune's 100 Fastest Growing Companies, because we think differently. We are different. ***We are a disruptor****."*

Source: 2015 sustainability report<

Local roots

- HC support communities where it operates with social initiatives
- *HC support farmers with common shared strategies*

- *HC and employs responsible and it prefers a local sourcing*

Environmentally friend

- *Reduce waste per ton*
- *Reduce CO2*
- *Reduce water usage*
- *Use renewable energy*
- *Produce renewable energy*
- *Reduce packaging*
- *Reducing road miles*

Business model

✓ **HC operates an integrated business model from the production to the distribution**

Production → **Logistics** → **Distribution**

Own manufacturing facilities

About 64% of the group revenues are derived from products manufactured at HC own facilities

USA (15)

- *Colorado (4)*
- *New Jersey*
- *Pennsylvania (5)*
- *Texas*
- *Louisiana*
- *Oregon*
- *California*
- *New York*

Europe (15)

- *England (10)*
- *Germany (2)*
- *France*
- *Norway*
- *Austria*

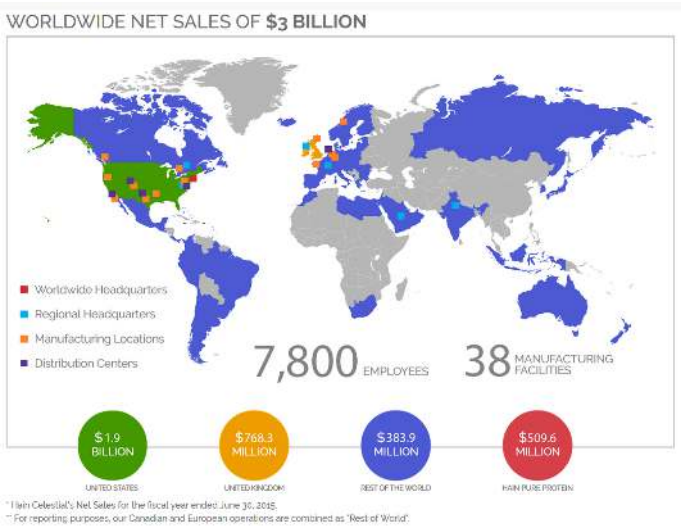
Canada (2)

Co-packers for some selected products

About 36% of the group revenues are derived from products manufactured by third party suppliers

Outsourced logistics & warehousing

Own direct sales force



Main customers (20% sales)

Walmart — Save money. Live better.

unfi — united natural foods

European Customers

- *Retailers*
- *Convenience stores*
- *Foodservice providers*
- *Club stores*
- *Wholesalers*

USA Customers

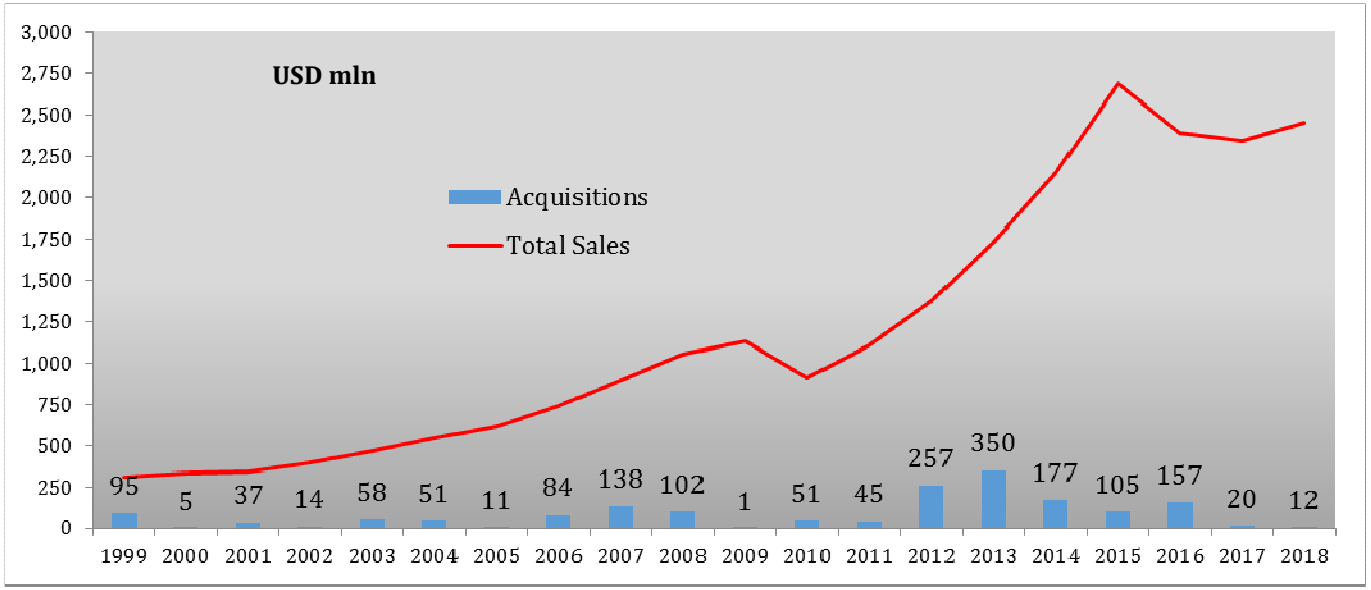
- *Specialty food distributors*
- *Supermarkets*
- *Natural food stores*
- *Mass Market*
- *e-commerce retailers*

RoW Customers

- *Grocery*
- *Supermarkets*
- *Club Stores*
- *Natural food distributors*

M&A history

- ✓ The current group structure is the result of an significant number of acquisitions that have been pursed since the incorporation



1993-1994

1995-1999

2000-2004

2005-2010

2011-2017

Current strategies

Leadership team

Hiring a new CEO

Improving financial controls

Extensive worldwide training program

Return to shareholders

Share repurchase program (USD 250 mln)

Reorganization "Project Terra"

- *Started in 2016*
- *Product portfolio reorganization*
- *Plant efficiency*
- *Logistic improvement*
- *Marketing optimization*
- *Procurement optimization*
- *Brand reorganization*
- *Sale of some activities*

Global

Acquisition of organic, natural and "better-for-you" product companies or product lines

Project Terra Objectives

USD 350 million in global savings by fiscal 2020

Sale of Hane Pure Protein and EK Holdings (e.g. discontinued operations)

Discontinued operations

USD mln	**2016**	**2017**	**2018**
Net sales	492.5	509.6	509.5
EBIT	**31.3**	**1.3**	**-78.5**
Offsets			78.5
Normalized EBIT	**31.3**	**1.3**	**0.0**

The sale of discontinued operations should occur by June 2019

Hain Pure Protein

Acquired in 2015

Hain Pure Protein Corporation with its FreeBird and Plainville Farms brands, is an antibiotic-free and organic poultry company with a full range of fresh and frozen chicken and turkey products in the United States.

EK Holdings

Acquired in 2015

EK Holdings, Inc. with its Empire Kosher and Kosher Valley brands, is an antibiotic-free and organic kosher poultry company in the United States.

Financial performance

- ✓ *The increase in 2018 net sales was due to sales growth in the United Kingdom, Europe and Canada businesses, partially offset by a decrease in net sales in the United States segment.*
- ✓ *In 2018, HC incurred in acquisition related expenses, restructuring, integration and other charges of USD 20.7 mln as a result of the closure of 3 manufacturing facilities and consulting fees for Project Terra.*
- ✓ *In 2019 and following years the company will be focused to complete the reorganization with the management expecting to accelerate saving from Project Terra as a main driver for the increase of the profitability*

HC Key financials: P&L

USD mln	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Total revenues	2.393	2.344	2.458	2.518	2.607	2.659	2.712	2.766
YoY increase		*-2,1%*	*4,9%*	*2,4%*	*3,5%*	*2,0%*	*2,0%*	*2,0%*
Gross profit	565	519	515	569	596	625	637	650
Gross profit margin	*23,6%*	*22,2%*	*21,0%*	*22,6%*	*22,9%*	*23,5%*	*23,5%*	*23,5%*
EBITDA	336	265	256	263	277	303	322	328
Ebitda margin	*14,0%*	*11,3%*	*10,4%*	*10,4%*	*10,6%*	*11,4%*	*11,9%*	*11,8%*
EBIT	102	109	106	203	217	242	260	266
Ebit margin	*4,3%*	*4,7%*	*4,3%*	*8,1%*	*8,3%*	*9,1%*	*9,6%*	*9,6%*
Net Income	47	67	9	50	137	157	172	176
Net income margin	*2,0%*	*2,8%*	*0,4%*	*2,0%*	*5,3%*	*5,9%*	*6,3%*	*6,4%*

HC figures report at June 30

HC Key financials: BS

USD mln	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Net Working Capital	324	237	288	330	356	379	401	421
PP&E	390	292	310	320	330	340	350	360
Goodwill & Intangibles	1.665	1.540	1.535	1.515	1.495	1.474	1.452	1.430
Net Financial Position	735	613	608	399	278	133	-29	-197
Stockholders equity	1.665	1.713	1.737	1.787	1.924	2.081	2.253	2.429

HC figures report at June 30

- ✓ *As a result of reorganization the group PP&E are expected to grow in an organic manner with replacement of the existing plants*
- ✓ *There is no assumption about future acquisition*
- ✓ *Net financial position will decline as a result of the reimbursement of the current LT debt according to the cash flow generated*
- ✓ *In our estimates we do not account for dividend distribution although the company could opt for some share repurchases*

Acquisition rationale

HC: the strategic case

Hain Celestial business model and market distribution align with Amazon strategic objectives and a potential acquisition by Amazon would result into significant, credible and achievable synergies

Common cultures

- *Search for high standards*
- *Being a Disruptor*
- *Global culture*
- *Sustainability*
- *Empowering small business*

*Both the companies **share common values**. This will **ease integration** and the **exploitation of the common synergies***

Mutually Shared Benefits

Benefits

- *Vertically integrate the natural – organic food business*
- *Global market for organic and natural food is booming*
- *Direct Quality control*
- *Enhance Hain Celestial value thanks to a faster reorganization and exploit higher post acquisition valuation*
- *Exploit synergies and raise group value*
- *Optimization of the existing infrastructure and structure*
- *Exploit business opportunities for new segments such as Amazon GO, Amazon Renewable energies*

Benefits

- *Raise sales*
- *Strengthen relationship with Whole Foods*
- *Improve existing market shares in operated markets*
- *Enter new markets thanks to Amazon network*
- *Reduce costs*
- *Optimize / Rationalize capital employed*
- *Improve efficiency*
- *Speed up current strategies*
- *Improve competitive advantages*

HC: the strategic case

These following strategies could be operated thanks to the exploitation by HC of the current network operated by Amazon

Player / Strategy	Target	Estimated Synergies (USD mln) 1-2 yrs	3-4 yrs
Amazon e-commerce platform - *Distribute products in new markets that currently are not served by HC* - *Improve market penetration in already served markets*	*HC sales increase*	*245 mln (10% 2018 sales)*	*614 mln (+25%)*
Whole Foods & Amazon GO - *Direct distribution of the HC products*	*HC sales increase* *Plant capacity usage / fixed cost optimization*	*61 mln (2,4% 2018 sales)* *+ 3% Ebit margin*	*368 mln (+15%)* *+ 5% Ebit margin*
Amazon Treasure Truck (US/UK) - *A powerful promotion and marketing strategy to improve public awareness about HC products*	*Marketing costs*	*Savings for 2 mln*	*Savings for 4 mln*
Amazon Renewable Energy - *Develop shared generation projects and exploit Amazon own capabilities within the generation* - *Acquire energy generated by Amazon renewable energy plants*	*Energy cost reduction*	*Savings for 13 mln*	*Savings for 15 mln*
Amazon Logistics - *Benefit of the Amazon existing logistic infrastructures, reducing the reliance on third party suppliers*	*Logistics and warehousing reduction*	*Savings for 11 mln*	*Savings for 30 mln*
Amazon Human capital - *Exploit the Amazon existing Human capital and optimize structure costs*	*Structure cost optimization*	*Savings for 1 mln*	*Savings for 2 mln*

HC: the strategic case

These following strategies could be operated thanks to the exploitation by Amazon of the current business model managed by HC

Player / Strategy	Target	Estimated Synergies (USD mln) 1-2 yrs	3-4 yrs
Hain Celestial – natural food segment - *Vertically integrate of the natural food segment* - *Raise gross margin thanks to internalization of the production* - *Strengthen Whole Foods offer with dedicated and exclusive products* - *Raise food quality and have a direct control of part of the products sold*	*Gross sale profitability* - *Amazon Market place* - *Amazon Go* - *Whole Foods*	 *+ 0.2%* *+ 0.2%* *+ 0.5%*	 *+ 0.5%* *+ 0.5%* *+ 1%*
Hain Celestial network - *Exploit the contacts and relationships of HC with local farmers so that Amazon Go stores and Whole Food store can offer/ raise the sale of local products* - *Exploit Amazon renewable business developing new renewable energy plants (e.g. biomass, solar and mini wind farm) at the farmers locations*	*Turnover & operating profitability* - *Amazon Go* - *Amazon Renewable Energy*	*NPV new projects 10 mln*	*NPV new projects 20 mln*

Financial Effect analysis

Financial Effect analysis: Hain Celestial

Assumptions

- ✓ *Acquisition would occur on December 2018*
- ✓ *The purchase price is a 29.4% premium to HC shareholders*
- ✓ *Deal financed thanks to Amazon current cash & marketable securities*
- ✓ *Revenue and cost synergies expected to occur from 2020 to 2023: both revenue and cost synergies*

Synergies

- ✓ *Revenue and cost synergies expected to occur from 2020 to 2023*
- ✓ *Both revenue and cost synergies according to expectations outlined in rationale segment*

HC Key financials: P&L				Stand alone values					Post merger values with synergies					Absolute delta				
USD mln	**2016**	**2017**	**2018**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**
Total revenues	2.393	2.344	2.458	2.518	2.607	2.659	2.712	2.766	2.518	2.757	2.965	3.312	3.748	0	150	306	600	982
YoY increase		*-2,1%*	*4,9%*	*2,4%*	*3,5%*	*2,0%*	*2,0%*	*2,0%*	*2,4%*	*9,5%*	*7,5%*	*11,7%*	*13,2%*					
Gross profit	565	519	515	569	596	625	637	650	579	648	741	838	975	10	52	116	201	324
Gross profit margin	*23,6%*	*22,2%*	*21,0%*	*22,6%*	*22,9%*	*23,5%*	*23,5%*	*23,5%*	*23,0%*	*23,5%*	*25,0%*	*25,3%*	*26,0%*					
EBITDA	336	265	256	263	277	303	322	328	254	334	437	556	693	-9	58	134	234	365
Ebitda margin	*14,0%*	*11,3%*	*10,4%*	*10,4%*	*10,6%*	*11,4%*	*11,9%*	*11,8%*	*10,1%*	*12,1%*	*14,8%*	*16,8%*	*18,5%*					
EBIT	102	109	106	203	217	242	260	266	195	274	376	494	631	-9	58	134	234	365
Ebit margin	*4,3%*	*4,7%*	*4,3%*	*8,1%*	*8,3%*	*9,1%*	*9,6%*	*9,6%*	*7,7%*	*10,0%*	*12,7%*	*14,9%*	*16,8%*					
Net Income	47	67	9	50	137	157	172	176	43	181	259	349	454	-7	44	102	177	278
Net income margin	*2,0%*	*2,8%*	*0,4%*	*2,0%*	*5,3%*	*5,9%*	*6,3%*	*6,4%*	*1,7%*	*6,6%*	*8,7%*	*10,5%*	*12,1%*					

HC Key financials: BS									Post merger values with synergies					Absolute delta				
USD mln	**2016**	**2017**	**2018**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**
Net Working Capital	324	237	288	330	356	379	401	421	330	377	423	489	571	0	21	44	89	150
PP&E	390	292	310	320	330	340	350	360	320	330	340	350	360	0	0	0	0	0
Goodwill & Intangibles	1.665	1.540	1.535	1.515	1.495	1.474	1.452	1.430	1.515	1.495	1.474	1.452	1.430	0	0	0	0	0
Net Financial Position	735	613	608	399	278	133	-29	-197	405	262	37	-257	-642	7	-17	-96	-228	-445
Stockholders equity	2.399	2.326	2.345	2.185	2.202	2.213	2.224	2.232	2.185	2.223	2.257	2.312	2.382	0	21	44	89	150

HC figures report at June 30

Financial Effect analysis: Amazon pre and post

Assumptions

- ✓ *Acquisition would occur on December 2018*
- ✓ *The purchase is paid according to own resources: both cash and marketable securities*
- ✓ *In 2019 acquisition is not going to improve significantly the consolidated results because the post merger synergies will not be still operational*
- ✓ *The financial strength of the group will not be impacted by the acquisition*

Synergies

- ✓ *No assumed synergies at Amazon level to incorporate a more conservative scenario*

	Amazon				Hain Celestial				Amazon + HC			
USD mld	**2016**	**2017**	**2018E**	**2019E**	**2016**	**2017**	**2018E**	**2019E**	**2016**	**2017**	**2018E**	**2019E**
Revenues	135.987	177.866	207.856	228.642	2.344	2.458	2.518	2.607	138.331	180.324	210.374	231.248
% growth		*30,8%*	*16,9%*	*10,0%*		*4,9%*	*2,4%*	*3,5%*		*30,4%*	*16,7%*	*9,9%*
EBITDA	12.302	15.584	23.235	26.187	265	256	263	277	12.567	15.840	23.498	26.463
Ebitda margin	*9,0%*	*8,8%*	*11,2%*	*11,5%*	*11,3%*	*10,4%*	*10,4%*	*10,6%*	*9,1%*	*8,8%*	*11,2%*	*11,4%*
D&A	8.116	11.478	13.413	14.755	60	60	60	60	8.176	11.538	13.473	14.815
% sales	*6,0%*	*6,5%*	*6,5%*	*6,5%*	*2,6%*	*2,4%*	*2,4%*	*2,3%*	*5,9%*	*6,4%*	*6,4%*	*6,4%*
EBIT	4.186	4.106	9.822	11.432	109	106	203	217	4.295	4.212	10.025	11.649
Ebit margin	*3,1%*	*2,3%*	*4,7%*	*5,0%*	*4,7%*	*4,3%*	*8,1%*	*8,3%*	*3,1%*	*2,3%*	*4,8%*	*5,0%*
Net Interests	-384	-646	-643	-606	-21	-27	-26	-28	-405	-673	-669	-633
Tax	-1.425	-769	-1.964	-2.286	-22	1	-49	-52	-1.447	-768	-2.013	-2.338
Tax rate vs EBIT	*-34,0%*	*-18,7%*	*-20,0%*	*-20,0%*	*-20,6%*	*0,8%*	*-24,0%*	*-24,0%*	*-33,7%*	*-18,2%*	*-20,1%*	*-20,1%*
Net Income	2.371	3.033	7.214	8.540	67	9	50	137	2.438	3.042	7.264	8.677

	Amazon				Hain Celestial				Amazon + HC			
USD mld	**2016**	**2017**	**2018E**	**2019E**	**2016**	**2017**	**2018E**	**2019E**	**2016**	**2017**	**2018E**	**2019E**
Net Working capital	-31.900	-40.750	-44.875	-50.168	237	288	330	356	-31.663	-40.462	-44.546	-49.812
Net Financial position	-18.287	-6.243	-7.834	-16.435	613	608	399	278	-17.674	-5.635	-7.436	-16.157

Valuation model & assumption

Cash Flow Overview

Cash Flow Overview (USD mln)

USD mln	2018	2019E	2020E	2021E	2022E	2023E
Total revenues	2.458	2.518	2.607	2.659	2.712	2.766
% growth			*3,5%*	*2,0%*	*2,0%*	*2,0%*
EBITDA	256	263	277	303	322	328
Ebitda margin	*10,4%*	*10,4%*	*10,6%*	*11,4%*	*11,9%*	*11,8%*
D&A	150	60	60	61	62	62
% sales	*6,1%*	*2,4%*	*2,3%*	*2,3%*	*2,3%*	*2,2%*
EBIT	106	203	217	242	260	266
Ebit margin	*4,3%*	*8,1%*	*8,3%*	*9,1%*	*9,6%*	*9,6%*
Tax on EBIT	1	-49	-52	-58	-62	-64
Tax rate	*0,8%*	*-24,0%*	*-24,0%*	*-24,0%*	*-24,0%*	*-24,0%*
NOPLAT	**107**	**154**	**165**	**184**	**198**	**202**
D&A	150	60	60	61	62	62
Delta net working capital	0	-41	-27	-23	-22	-21
Capex	-71	-50	-50	-50	-50	-50
Unlevered free cash flow	**186**	**123**	**148**	**173**	**188**	**193**

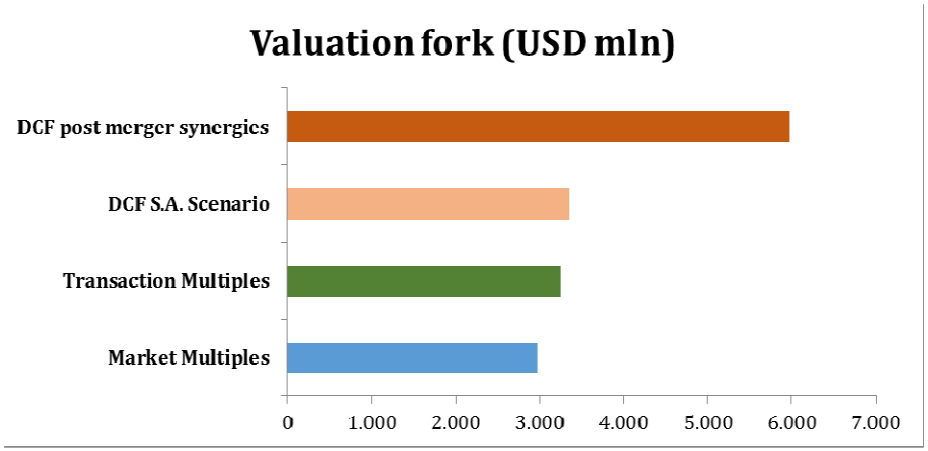
Assumptions

- ✓ *HC stand alone scenario with assumptions as a result of likely results by brokers reports for sales and EBIT and own assumptions related to future capital expenditures and working capital*
- ✓ *2018 figures relate to fiscal year closing a June 2018 with revenues, Ebitda and Ebit representing the recurring business with the exclusion of the discontinued operations*
- ✓ *2018 D&A heavily impacted by impairment on goodwill, intangible assets and fixed assets and hence not representing of the future depreciation and amortization of the fixed assets*

Summarized valuation

- ✓ *Based on the valuation methods below, on a stand alone basis we have derived a valuation range between USD 31 and 40 per share and an equity value between USD 3,000 and 3,337*
- ✓ *The valuation implies a premium versus the current market price from 9% to 12.3%*
- ✓ *Taking into count for post acquisition synergies as outlined by the synergies scenario at page 17, the HC equity value could rise to USD 5,957 mln (USD 57.5 per share)*

		Multiple	Price per share (USD)	Equity Value (Usd mln)	Market premium
DCF	Post merger synergies		57,3	5.957	*100,4%*
	Stand alone scenario		32,1	3.337	*12,3%*
Market Multiples	EV / Ebitda 2018	13,80x	31,2	3.246	*9,2%*
	EV / Ebitda 2019	12,40x	28,6	2.972	*0,0%*
Transaction Multiples	EV / Ebitda 2019	13,46x	31,3	3.252	*9,4%*



According to the previous results and according to the post merger synergies it could be reasonable to launch a public tender offer at a price around **USD 37** implying a **30 % premium** versus the current market price

DCF valuation overview

Stand alone recurring DCF valuation

- ✓ *DCF valuation of HC based on the **forecasted unlevered free cash flow** estimated according to the stand alone scenario from 2019 to 2023 excluding contribution of the operations to be sold (e.g. surplus asset)*
- ✓ *WACC set at 5.76% according to CAPM formula*
- ✓ *Terminal value calculated assuming a perpetual growth rate of 1% (steady state long term growth of the economy)*

HC Valuation

USD mln	
Sum of P.V. of the UFCF 2019 - 2023	690
P.V. Terminal Value	2.933
Enterprise Value - Hain Celestial	**3.624**
- Net financial position (current)	399
Value of discountinued operations to be sold	112
Equity Value - Hain Celestial	**3.337**
Shares outstanding (mln)	104,0
Price per share	**32,1**

Terminal value calculation

USD mln	TV	Driver
Terminal Value C.F	**185**	
	1,00%	g rate
	5,76%	WACC
	3.881	TV perpetuity
	0,76	Discount Factor
P.V. Terminal Value	**2.933**	

Equity value (USD mln): WACC vs perpetual growth rate

growth rate \ Wacc	5,56%	5,66%	5,76%	5,86%	5,96%
0,80%	3.369	3.293	3.219	3.148	3.080
0,90%	3.433	3.353	3.277	3.204	3.133
1,00%	3.499	3.417	3.337	3.261	3.189
1,10%	3.569	3.483	3.400	3.322	3.246
1,20%	3.641	3.552	3.466	3.384	3.306

Valuation of discontinued operations

- ✓ *Estimation of the value of the discontinued operations to be sold, excluded from the computation of the cash flows of the plan*
- ✓ *Valuation approach based on the mean of the market multiples (EV/Ebitda) for protein based companies and the most recent, disclosed, transaction multiples for companies manufacturing ingredients.*

Value of discountinued operations

USD mln	
2018 EBITDA	**10.9**
Ebitda margin %	*2.1%*
Protein food market multiple	8.60x
Tansaction multiple Ingredients	12.10x
Valuation multiple	10.35x
Enterprise Value	113
- Net financial position (current)	1
Equity Value - Discontinued Op	**112**

Market multiple valuation

Step 1: Market multiples for the selected peers

- ✓ *A peer of most comparable companies*
- ✓ *A peer of similar companies operating the food and drink business*
- ✓ *Estimation of EV/Ebitda according to market prices and expected financials*

Comparable market multiples

Company	EV / Ebitda 2018	EV / Ebitda 2019	Ebitda margin % 2018	Revenues
Most comparable companies				
SunOpta	12.80x	10.80x	*4.9%*	1,280
The Simply Good Food Company	14.80x	14.00x	*16.8%*	410
Food processing companies				
Mondelez International	14.60x	13.60x	*20.7%*	26,247
General Mills	12.70x	12.00x	*20.8%*	15,568
The Hershey Company	12.40x	12.00x	*23.7%*	7,608
Post Holdings	8.90x	8.20x	*18.6%*	5,740
Synder's Lance	21.40x	18.20x	*17.3%*	2,231
B&G Foods	11.90x	10.20x	*20.3%*	1,608
J&J Snack Foods	14.50x	13.50x	*14.3%*	1,143
John B. Sanfilippo & son	9.90x	9.90x	*7.9%*	879

Most comparable companies	EV / Ebitda 2018	EV / Ebitda 2019	Ebitda margin % 2018
Mean	13.80x	12.40x	*7.8%*
Median	13.80x	12.40x	

Food processing companies	EV / Ebitda 2018	EV / Ebitda 2019	Ebitda margin % 2018
Mean	13.39x	12.24x	*20.5%*
Median	12.75x	12.00x	

Step 2: Selection of the Market multiple

- ✓ *The most comparable companies average multiple is taken as the most representative value according to HC sales and profitability*
- ✓ *It is used to estimate the equity value of HC*

	EV / Ebitda 2018	EV / Ebitda 2019
Selected market multiple	13.80x	12.40x
Forecasted EBITDA (adj)	255.9	262.8
Estimated EV Hain Celestial	3,532	3,259
- Net financial position (current)	398	398
Surplus assets	112	112
Equity Valuation Hain Celestial	**3,246**	**2,973**
Shares outstanding (mln)	104.0	104.0
Price per share	**31.2**	**28.6**

Transaction multiple valuation

Transaction multiples

- ✓ *Selection of recent transaction multiples per industry as provided by summarized findings of the researched by William Blair, Duff & Phelps, Moss Adams, Global M&A Partners*
- ✓ *Multiple Selection: EV/Ebitda*

HC valuation according to Transaction multiples

EV / Ebitda	Global M&A Partners	William Blair	Duff & Phelps	Duff & Phelps	Moss Adams
Sub sector	**Ingredient**	**Food**	**Better for You**	**Bakery**	**Food & beverag**
Mean	17.30x	13.30x	18.53x	9.29x	
Median	19.70x				8.90x

Selected market multiple

	EV / Ebitda
Selected market multiple	**13.46x**

- ✓ *Estimated Enterprise Value according to expected adjusted Ebitda 2019*
- ✓ *Subtracted current net financial position*
- ✓ *Added estimated value of discontinued operations*
- ✓ *Calculated price per share.*
- ✓ *Valuation according to transaction multiples around USD 31.3 (+9% premium vs current market price)*

HC valuation according to Market Multiple

	EV / Ebitda 2019
Selected market multiple	13.46x
Forecasted EBITDA (adj)	262.8
Estimated EV Hain Celestial	3,538
- Net financial position (current)	398
Surplus assets	112
Equity Valuation Hain Celestial	**3,252**
Shares outstanding (mln)	104.0
Price per share	**31.3**

Synergies Scenario - Cash Flow Overview

Cash Flow Overview (USD mln)

USD mln	2019E	2020E	2021E	2022E	2023E
Total revenues	2.518	2.757	2.965	3.312	3.748
% growth		*9,5%*	*7,5%*	*11,7%*	*13,2%*
EBITDA	254	334	437	556	693
Ebitda margin	*10,1%*	*12,1%*	*14,8%*	*16,8%*	*18,5%*
D&A	-60	-60	-61	-62	-62
% sales	*-2,4%*	*-2,2%*	*-2,1%*	*-1,9%*	*-1,7%*
EBIT	195	274	376	494	631
Ebit margin	*7,7%*	*10,0%*	*12,7%*	*14,9%*	*16,8%*
Tax on EBIT	-47	-66	-90	-119	-151
Tax rate	*-24,0%*	*-24,0%*	*-24,0%*	*-24,0%*	*-24,0%*
NOPLAT	**148**	**209**	**286**	**375**	**480**
D&A	60	60	61	62	62
Delta net working capital	-41	-47	-46	-67	-81
Capex	-50	-50	-50	-50	-50
Unlevered free cash flow	**116**	**171**	**252**	**320**	**410**

Assumptions

- ✓ *HC post merger & synergies scenario incorporate the likely scenario with synergies that would be exploited thanks to integration with Amazon*
- ✓ *Synergies both in terms of increased revenues and in terms of higher operational efficiency thanks to plant capacity utilization, optimization of logistics costs, optimization of structure costs*

DCF with synergies

Post merger & synergies DCF valuation

- ✓ *DCF valuation of HC based on the* ***previous highlighted unlevered free cash flow***
- ✓ *WACC set at 5.76% according to CAPM formula*
- ✓ *Terminal value calculated assuming a perpetual growth rate of 1% (steady state long term growth of the economy)*

HC valuation including post merger synergies

USD mln	
Sum of P.V. of the UOCF 2019 - 2023	1.042
P.V. Terminal Value	5.201
Enterprise Value - Hain Celestial	**6.243**
- Net financial position (current)	399
Value of discountinued operations to be sold	112
Equity Value - Hain Celestial	**5.957**
Shares outstanding (mln)	104,0
Price per share	**57,3**

Terminal value calculation

USD mln	TV	Driver
Terminal Value C.F	**327**	
	1,00%	g rate
	5,76%	WACC
	6.881	TV perpetuity
	0,76	Discount Factor
P.V. Terminal Value	**5.201**	

Equity value (USD mln): WACC vs perpetual growth rate

		Wacc				
		5,56%	**5,66%**	**5,76%**	**5,86%**	**5,96%**
growth rate	**0,80%**	6.013	5.877	5.747	5.622	5.501
	0,90%	6.126	5.985	5.850	5.720	5.595
	1,00%	6.244	6.097	5.957	5.822	5.693
	1,10%	6.366	6.214	6.068	5.929	5.795
	1,20%	6.495	6.337	6.185	6.040	5.901

Valuation of discontinued operations

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Value of discountinued operations

USD mln	
2018 EBITDA	**10.9**
Ebitda margin %	*2.1%*
Protein food market multiple	8.60x
Tansaction multiple Ingredients	12.10x
Valuation multiple	10.35x
Enterprise Value	113
- Net financial position (current)	1
Equity Value - Discontinued Op	**112**

Appendix

WACC calculation

- ✓ ***WACC for the calculation of HC enterprise value is set at 5.74% according to CAPM theory***

Assumptions

- ✓ *Market Beta 0.61 according to Infront (https://www.infrontanalytics.com/fe-en/34645NU/The-Hain-Celestial-Group-Inc-/Beta)*
- ✓ *Risk Free rate 2.84%: Current yield on 10 year T bond according to CNBC survey (https://www.cnbc.com/quotes/?symbol=US10Y)*
- ✓ *Market risk premium: 5.50%: KPMG analysis (https://assets.kpmg.com/content/dam/kpmg/nl/pdf/2018/advisory/equity-market-risk-premium-research-summary.pdf)*
- ✓ *Cost of Debt: 3,8% gross cost of debt (average cost sustained by HC)*
- ✓ *Tax rate: 24% expected average tax rate by HC*
- ✓ *Financial Debt share: 13.4% as implied by expected 2019 financial debt share that could represent a quite reliable capital structure target*
- ✓ *Equity share: 86.6% as reflected by financial debt share*

Cost of debt	Cost of debt	3,8%	**Net cost of debt 2,9%**	**Debt weight 13,3%**	
	Tax rate	24%			
					WACC 5,76%
Cost of equity	Market risk premium	5,5%			
	Levered Beta	0,61	**Cost of equity 6,2%**	**Equity weight 86,7%**	
	Risk free rate	2,8%			