SMALL TALK: 4/19/2016

HAIN CELESTIAL

Shirley Pfister
Rocky Mt Chapter BI

1

DISCLAMIER

- All stock References are meant to be used for EDUCATIONAL purpose!
- No recommendation for purchase or sale is intended or implied.
- Please perform your own due diligence.

2

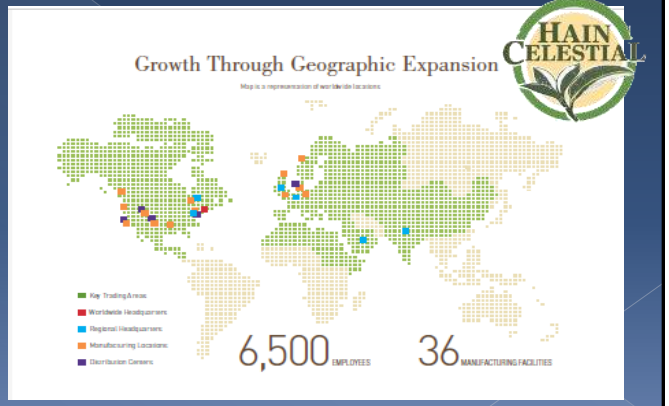
Hain

- "The Hain Celestial Group is a leading organic and natural products company with operations in North America, Europe and India.
- Hain Celestial participates in many natural categories with well-known brands.
- Mission: Leading marketer, manufacturer and seller of organic and natural, better-for-you products.
- Committed to growing sustainably while continuing to implement environmentally sound business practices & manufacturing processes."

3

HAIN PRODUCTS

HAIN



5

WORLD WIDE HQ
Lake Success, NY

- Hain US: Lake Success, NY
- Hain Celestial Europe: Belgium
- Hain Pure Protein Corp.: New Oxford, PA
- Hain Celestial India: India
- Tilda International DMCC: UAR
- Hain Celestial UK: UK
- Hain Celestial Canada: Toronto, ON
- **36 manufacturing locations worldwide**

6

5 Operating Segments

- U.S.
- United Kingdom
- Canada
- Europe
- Hain Pure Protein

7

HAIN's FOUNDER/CEO

Irwin Simon: has held this position since 1993

- His Goal = Bring health & wellness-oriented food, beverages & personnel care products to everyone
- Company began in 1993 (Delaware) as 21st Century Food Products
- Celestial & Hain merged 2000

8

HAIN COMPETITORS

Campbell Soup Co.
White Wave Foods
General Mills
J.M. Smuckers
Kellogg
Kraft Heinz Co.
Nestle S.A.
PepsiCo
Unilever
Procter & Gamble
Johnson & Johnson
Colgate-Palmolive

9

STRENGTHS

- World presence: increased population interested in these food products
- Strong brand names: Celestial Teas, Terra Chips, Ella's Kitchen.
- Capitalize on yrs. of experience with managing organic & natural supply chain
- Research Division: Interested in improvement

10

HAIN: RESEARCH

- Consider research and development of new products to be a significant part of our overall philosophy. Have a team of professional product developers, including microbiologists, nutritionists, food scientists, chefs & chemists. They work to develop products to meet changing consumer needs. The research and development staff incorporates product ideas from all areas of our business in order to formulate new products.

11

RESEARCH PROGRAM

- "In addition to developing new products, the research & development staff routinely reformulates & improves existing products based on advances in ingredients, packaging & technology, & conducts value engineering to maintain competitive price points. HAIN incurred approximately $10.3 million in company-sponsored research & development activities in 2015, $10.0 million in 2014 and $7.5 million in 2013."

12

ADDITIONAL STRENGTH

- Company has engaged consulting firm to find additional efficiencies in procurement & trade spending, & focus on re-inventing saving in brand names
- Voluntary recall = quality safety matters!

13

WEAKNESS

- Availability of organic products
- Dependent on CEO & Management team for new ideas & growth
- Integration of new companies

14

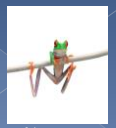
OPPORTUNITIES

- Growing population
- Seems to acquire companies with a good fit to company
- Sponsorship programs to create brand awareness
- Expand into new countries

15

THREATS

- Market very competitive
- Cost inflation
- Customer preference can be difficult to predict
- Outbreak of disease = Avian disease
- Climate change
- Regulations & Exchange rates



16

GROWTH STRATEGY

ACQUISITIONS:

- Hain Pure Protein & Empire Kosher
- Orchard House Foods Limited ($60M in annual sales 12/2015)
- Mona group (7/2015)
- EK Holdings (3/2015)
- Tilda (1/2014)

17

ACQUISITIONS

We completed three strategic acquisitions in fiscal year 2015.

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

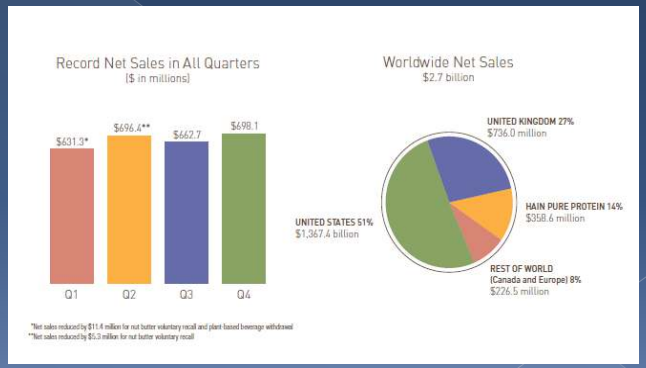
live clean

Belvedere International, a leader in Canada in health and beauty care products including the Live Clean® brand.

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

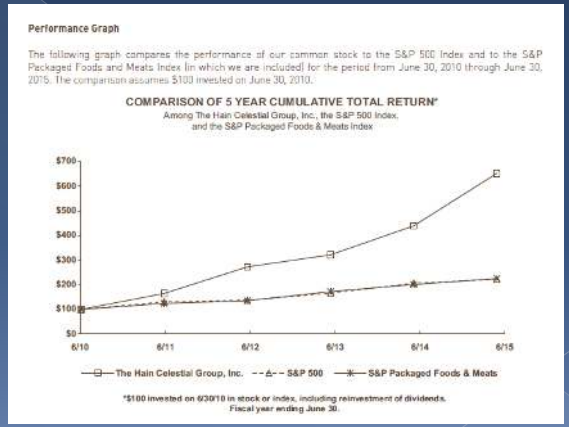
18

NET SALES DATA



19

HAIN: 5 YR CUMULATIVE TR



20

HAIN

- Our operating free cash flow was $134.3 million for the fiscal year ended June 30, 2015, a decrease of $8.9 million from the fiscal year ending June 30, 2014. The decrease in operating free cash flow primarily resulted from $34.3 million in pre-tax charges due to the voluntary nut butter recall.

21

FATORS AFFECTING COMPANY

- Recall of Almond Butter = salmonella
- Rice Milling Fire = Tilda milling facility

22

QUESTIONS/ COMMENT

23

24

FUTURE SALES GROWTH

- 8.6% = Analyst Composite Estimate (ACE) from SSG
- 8.7% = ('16) & 7.5% ('17) Yahoo
- 11.0% = Value Line
- 14.0% = Morningstar
- 24.2% = Historic 5 yr. sales

25

FUTURE EARNINGS GROWTH

- 8.6% = Same as ACE earnings growth rate
- 11.0% = Yahoo 5 yr. est
- 11.6% = Morningstar (2017 est)
- 13.4% = 3 yr. SSG
- 14.0% = (VL 2018-2020), also ACE 2 yr. est.

26

ESTIMATED HIGH/PE

- 22.8 = Current P/E
- 26.2 = Avg P/E ratio ((avg high + avg low)/2)
- 30.6 = 5 yr. avg with highest P/E removed
- 33.0 = 5 yr. average high P/E

27

ESTIMATED LOW P/E

- 17.9 = Removed highest P/E from last 5 yrs.
- 19.4 = 5 yr. Avg Low P/E
- 26.2 = Avg P/E ratio ((avg high + avg low)/2)

28

LOW PRICE NEXT 5 YRS.

- $xx.xx = Forecast Low Price from tonight's polls
- $24.40 = Avg Low Price in Past 5 yrs.
- $32.60 = Recent Market Low Price (2014)
- $33.10 = 52 Week Low Stock Price
- $40.80 = Low Stock Price 2015

29

BUY or NOT to BUY???

30

THINKING POINTS

- Does a Company in this sector fit in your Portfolio?
- Does the Size fit a need in your Portfolio?
- Will the products be in demand in the next 5-10 years?
- Does it have a growth Plan?

31

THOUGHT FOR EVENING!

"Never invest in any idea you can't illustrate with a crayon!" (Peter Lynch)

32

Thank You for Attending!!!
Thank you
33