



HOSTESS! STRIKE! FACT SHEET

“Ignored, or left to languish, even the strongest brands can decline or die.”

- **Charles Sullivan**, Hostess CEO, 2000 (Source: Mid-American journal of Business, Spring 2000)

“If you over-lever a business, and you don’t invest back into the business for a period of years you’re going to wind up in bankruptcy.”

- **Greg Rayburn**, Hostess CEO, 2012 (Source: CNBC Squawk Box, November 15, 2012)

Hostess CEO Greg Rayburn has been telling the press, Hostess employees and writing in press releases that the reason the company is liquidating is because of striking workers. **Nothing could be further from the truth.**

The reason Hostess Brands is liquidating is because of over a decade of mismanagement.

- ▶ **Problems began in the 1990’s after the company went on an acquisition spree** that more than doubled the company’s production plants and employee count.
- ▶ In the late 1990’s, the company initiated a company-wide restructuring as **we witnessed operating income decline, and total debt increase.**
- ▶ **In the early 2000’s the company began to aggressively repurchase shares, puzzling investors.** According to one report “rather than benefitting from this action the company is paying for it today via increased interest expense (on the debt), and balance sheet degradation.” (Nov. 6, 2003)

- ▶ Those problems led the company to file for bankruptcy protection in 2004. During this bankruptcy, BCTGM union members agreed to significant concessions. According to one report, **Hostess saved \$110 million from the concessions of its unionized workforce. The company also closed 21 plants through the 2000's and saw its workforce go from 35,000 employees to 18,000.**
- ▶ When Hostess reemerged from bankruptcy in 2009 under the new ownership of a private equity company and two hedge funds, it was still saddled with an extremely high level of debt. **The company promised to invest the savings from the union concessions into technology and capital investment, but it did not do so.**
- ▶ Because the company ignored improving its technology, both in production and in distribution, **other baking companies became much more efficient than Hostess.**
- ▶ **Hostess again approached its unionized workers to accept another round of concessions, this time much, much worse than during the first bankruptcy – benefit cuts totaling between 27-32%.** And yet, while simultaneously asking its workers to take a sizable pay-cut and say goodbye to their pensions they earned, company executives gave themselves lavish raises. **The CEO was to see his pay increase 300% while at least nine other top executives were to see their pay increase between 35%-80%.**
- ▶ After the Company entered bankruptcy for the second time in January 2012, the BCTGM had an independent financial consultant look at the company's viability and it was ascertained that they could not survive unless they made major changes to their business structure. **The only change the company wanted to make in bankruptcy was for its unionized employees to agree to major concessions. They had no viable business plan.**

