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# Pinnacle Foods, Inc. (PF)

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# MANAGEMENT DISCUSSION SECTION

## Jane Gelfand

*Monthly Chair & Secretary, Goldman Sachs Asset Management*

Okay. Good afternoon, everybody. If everyone can just find their seats, we'll get started. My name is Jane Gelfand, and I'm CAGNY's Monthly Event Co-Chair. So, it's my pleasure to welcome you all to the Pinnacle Foods lunch presentation. I want to thank the management team of Pinnacle for being here. And without much further ado, I'm going to hand it over to Maria Sceppaguercio, who is the Senior Vice President of Investor Relations at Pinnacle. Thanks very much.

## Maria A. Sceppaguercio

*SVP-Investor Relations & Communications*

Thank you. Thanks, Jane. Good afternoon, everyone, including those folks who are participating today via our webcast, I want to take a moment and thank Jane and CAGNY for setting this event up today. We actually changed rooms last week, because we had such demand for participation today and I – we really appreciate all the support that we get and all the interest that we get from you. So, thank you for that.

Today, we're going to talk about, some of the announcements, the announcement yesterday was a busy day and we know you have a lot of questions. So, we're going to address those in Q&A. I'd like to address to – direct your attention to the screen, where we have, what I like to refer to as a rules of engagement, but also to point out that we will have the Reg-G tables will be part of the presentation, I think, you'll have them in your handouts and that will posted on our website this afternoon.

Today to talk about Pinnacle, we have Bob Gamgort, our CEO, who many of you very well. Bob will share his perspective on the announcement yesterday, as well as his perspective on Pinnacle. Roger Deromedi is joining us today, our Chairman. Many of you know Roger as well from his days as the CEO of the former Kraft Foods. He will share his perspective on the announcement yesterday, and what you can expect in the coming weeks.

Craig Steeneck, our CFO and Mark Schiller, our President of North America Retail are going to kick off the presentation with their discussion of the business and the initiatives we have in place for 2016 and our outlook for another very strong year, this year. And then we'll open it up to your questions.

So, with that, I'm going to hand it over to Bob.

## Robert James Gamgort

*Chief Executive Officer & Director*

I'm good, is my mic on?

## Maria A. Sceppaguercio

*SVP-Investor Relations & Communications*

It should be.

### Robert James Gamgort
*Chief Executive Officer & Director*

Okay, good. Thank you, Maria. Obviously, and it's an interesting announcement yesterday as you all know. We will handle any of your questions at the end, and I just want to say a couple of things upfront. I think the first thing is I want to convince you of two things, one this is a unique and compelling opportunity, and I also want to talk to you about my opinion of the Pinnacle business, on go forward basis. And I've got couple of thoughts on that.

Let me talk a little bit about the opportunity. I think first of all, it is a take private of a large public company with a tremendous amount of upside potential in that, and there's a – I've had some conversations with many of you, and you guys are familiar with this business, and have kind of the same opinion on that as well. There is a value creation opportunity for all investors, and I plan to be a significant investor in that business as well.

And I think the third piece of it that's really important to understand is that it's a unique entity in the form of JAB that's making this acquisition. And many of you are familiar with JAB, those of you who are not, I think you're going to know more about them in the next couple of years. Some of you are even co-investors in JAB, so that you are familiar with that.

And the thing that you also need to know is in addition to their reputation being strong, and their style of business being a great fit with the way that I I'd like to operate. You also need to know that, I'm very familiar with JAB because I've worked with a number of the principles within JAB for many years. We were partners together at Mars when I was there, for more than 10 years.

So, the comfort and the familiarity with both sides of that, not only made this possible, but it made this possible very quickly, which is unusual. So, when I get started up there, if anybody wants to talk about the world of coffee, anyone wants to understand more about JAB I'm happy to talk about that. Between now and when I start there May 2, I will be a 100% focused on continuing to run Pinnacle. And the purpose of our conversation today, is to really share with you the continuingly strong and evolving story of Pinnacle Foods.

And what I'd like to say about that is, we are incredibly, proud of the results that we've delivered at Pinnacle Foods. I am equally, proud and confident in the future of Pinnacle Foods, whether I am a – the CEO, an employee, a board member or a continuing investor in Pinnacle Foods, which I will be.

If I go back and look at the one area, that I am most proud of though, it is the senior leadership team that we've built and the strength of the board that we have, and that's why I have the confidence that the track record that we've delivered, first as a private company. In three years – in three years this month as a public company we'll continue on into the future.

Let me just take a moment and talk to you a little bit about our senior team. You've seen Craig and you've seen me a number of times. Because we're a lean operation, we typically get to be the front people for Pinnacle because when we're out, talking with investors or analysts who're doing a road show, the rest of team is running the business which is really important for you guys to know.

Mark Schiller is with us today and Mark you presented a CAGNY last year. Mark runs our North American Retail business and many of you have gotten a good familiarity with Mark and you'll certainly hear a lot more from him today. Mike Wittman is our newest addition to the Pinnacle senior leader team and you haven't had a chance to meet Mike before.

Two years ago, Tony Fernandez presented a CAGNY and you know the strength of the Pinnacle supply chain, both in terms of the cost discipline. It's focused on productivity, but also our ability to run our businesses better, when we acquire them, increasing output for example, as we've been able to do at Gardein. When Tony announced his retirement, it was a real challenge to go out and find somebody, but in the typical Pinnacle fashion, we went out and found a real pro, and Mike's been in supply chain for 30 years. He did it at Johnson & Johnson for probably 20 of those 30 plus years and then most recently at Mars.

And so, he's been a tremendous addition to the team from a capability and experience set, which is very typical, but also culturally gets what Pinnacle is all about, and the cultural fit is critically important.

Chris Boever you know about, he's been our Head of Sales now for four years, 25 years of experience and we're going to talk a bit about the progress we made out of the sales organization today. So, I won't steal anything thunder from that.

Another person that you don't have as much familiarity with is, Mike Barkley. Mike joined us two years ago, but recently was promoted to the executive leadership team, as a combination of our Chief Marketing Officer, which is a role we didn't have before. But he's also run our meals and sides business, and that means the Birds Eye business. And you're seeing the significant progress we've made in Birds Eye and the strong performance, Mike's really the architect of that and he is the guy that drives that day in and day out.

Mary Beth DeNooyer has been with us for three years, great industry experience and Kelley Maggs our General Counsel is the true veteran, you take a look at the years at Pinnacle, Craig's 11 years, Kelley is 15 years at Pinnacle. They go – they're sort of the founding fathers of Pinnacle.

This is a leadership team that I would put up against any in the industry. The depth of experience in terms of real knowledge within the industry I think is unparalleled, the fact that we've all worked at multiple companies, I think is also a competitive advantage. And if you look across those logos at the bottom, which is why we put them there. Across this team, we've covered just about every category, we worked in almost everyone of our peers and competitors, and we understand what everybody thinks.

The combination of that experience and talent combined with the right cultural fit is really the secret sauce behind Pinnacle and that's why I'm incredibly confident in the future of that. You're going to like what you see today, in terms of not just an explanation about why we've been able to deliver the results that we have, but also to talk about how we continue to perfect and evolve our strategy.

You might think we could be complacent with the results that we've delivered over the past three, we're far from it. And so, you'll start to see how we take this Pinnacle model, and begin to apply it to different categories in different areas in the industry where we see slightly faster streams of growth, which is we all know a little bit of top line growth is incredibly valuable in this.

Last point I'm going to make it before I turn it over to Roger is, you know, I said it in the press release and I said it upfront here is, my intention to continue to be an investor in Pinnacle. A full transparency, I have lot of shares with Pinnacle. Over the past seven years, I've sold virtually nothing. I haven't sold a share in over a year, but what I would tell you is that I have some options that expire 90 days after I leave. So, don't be surprised when you see that those are exercised.

I have some shares that I need to sell to be able to invest in my new opportunity, you know, you have to eat your own cooking as one of our board members used to say. And so if I believe in the opportunity, I got to put money behind it, but I also believe in Pinnacle. And I am going to keep a sizable investment in Pinnacle, because I believe in the strategy. I believe in the opportunities in front of us, and most importantly, I believe in this team, and I also believe in the board.

So, instead of me talking about the board, what I'd like to do is turn it over to Roger Deromedi. Roger has been our Chairman as he is walking up, I'll – a quick introduction. I think you all know Roger. In terms of his experience within the food industry, Roger was the former CEO of Kraft Foods, has been the Chairman of Pinnacle from the very beginning.

So, Roger was at Pinnacle before, I was at Pinnacle, and he has been an incredibly engaged and active board member and really helped co-create and guide the strategy. Many of you in the investor events that I go to who still interact with Roger, always comment to me about how current he is, how engaged he is, and how much he knows about the food industry, and that's been a tremendous asset for us and will continue to be.

In addition to being a great board member and a great partner, I consider Roger to be a great friend, and let me introduce him to talk about our board and also succession with regards to the CEO.

So, Roger. Welcome.

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## Roger K. Deromedi
*Non-Executive Chairman*

Hi all. What I can say? Congratulations and thank you, Bob. It's a – as a board, we are obviously disappointed, you're leaving, but obviously being your friend, I really understand the opportunity – you're going to and I really support you in what you're doing. And it made me really think back about when we first met it was actually in Naples, Florida. And what seems like food industry, is Naples, Florida, but actually Bob and I met in the Ritz [indiscernible] (11:40) exactly seven years ago almost to the very day.

And I know, we need a new CEO at Pinnacle and we're already two years into the deal with Blackstone and I sat there and I said this is the job for you. And I convinced you over the ensuing weeks and months to take the job, and we are so glad you made that decision. It has been one heck of a journey.

And then we appreciate the fact that you still like us, and will keep the money in. So, thank you, we appreciate that. Your faith in the company, in its strategy and its people and, as you said, we've become great friends. You and I, your leadership team, so many others at Pinnacle and I will tell you this investment community, I know they love you, that's great.

And we will remain friends and again as you alluded to, I've been in food industry a long time and as many of those who have been in the food industry a long time know about my background at Kraft. I know a little bit about single-serve coffee machines. So, just call me, I you know I – I can help you out.

But no seriously, let's turn to Bob's succession. We had a lot of questions that say, how can the board be so prepared, just as somebody leave that how can this happen. We're prepared on and actually on multiple fronts. We're prepared first because we're very confident in Pinnacle's operating model and the strategy and we're actually seeing no reason to change it. Lot of times when a CEO leaves, I know, there's something wrong. We got – you know, something is wrong with the strategy. There's disagreement between the board and the CEO, that's not the case.

We are excited about what will be talked about in our core business. We were part of and very excited about the Boulder acquisition and all that that will bring and we have some great confidence and as you will see that in our guidance for 2016.

Second, the board, just as Bob said, has tremendous confidence in the senior leadership team, represented here today, by Craig, Mark and Maria. But the talent goes well beyond them and just one thing I'd like to say, yesterday obviously, when the announcement went out, before the market open, I was actually at Pinnacle all day along yesterday, and I spent actually the night before, talking to Bob's executive leadership team, and then actually as the announcement went out I – Bob and I sat and talked to his entire senior leadership team of what 50 to 55 plus people, and then I spent the rest of the day one-on-one with each of those folks that Bob put up on his slide. And I will tell you, there is no change, they are committed to Pinnacle, and they are – know what they have to go do, and they will go do it, and that was good for me to talk to them, and I feel that, we have a team that is committed to deliver against what Pinnacle has always done.

Importantly, as Bob talked about, as we transitioned from a private to a public ownership, we build I think a really tremendous board. We have great continuity in our board, and members like myself, as I said, I actually was the advisor to Blackstone that convinced Blackstone to buy this business in 2007, and as Chairman from then and Chairman today. So, I have great continuity and many of you know Ray Silcock, who has been in many companies in food industry, board member for eight years and then Ann Fandozzi, who really an insightful person, has been on the board for four years. So, we have great continuity on our board, and it provided vast financial, general management and marketing expertise that Bob alluded to.

But since our IPO that little box there, you see up there, we've added Jane Nielsen, Micky Pant, Yannis Skoufalos and Mark Jung, who really very consciously expanded our expertise in finance, in supply chain, and e-marketing.

Yannis is terrific, he has headed the global supply chain for Procter & Gamble, what a great guy to have on your board. As you work through it, maintain these strong productivity numbers. Mark

Jung an expert in e-commerce where the food industry going, he has started and done some of the best e-marketing ever done.

So, we're a board that has both experience and I will tell you, we're also hands on board, this is a very different board and maybe as you think about other boards. We know the food industry, we know consumer goods, and we know well and very importantly, we know what makes Pinnacle tick and that's why I guess I am so confident that we will pick the right successor to Bob. You don't have a board here who doesn't understand what makes Pinnacle tick and what will make it successful.

And also given the fact that Pinnacle is a very lean organization and why we are able to do what we do so well that we knew that as any succession planning, in addition to internal candidates, we would also need to have external candidates. And so in all of our annual and process of succession planning, we've always had a list of external candidates, because you just know when you're lean, you don't have 10 division presidents to pick from, you need to have some breadth of choices, and we have great choices inside. But I will tell you, we're where we have a list of potential external candidates and we have maintained dialogues with them over time.

And maybe one of the advantages that me being so involved in the food industry. I know most of everyone in the food industry, and I talk to them all the time. So, it's easy for me to know a lot of people in the industry and who could be Bob's backstop externally.

So, that has allowed us to have a very short list at both internal and external candidates to consider. So, when Bob told us on Friday evening, and we activated our board search committee. We already had a list, we already knew where people stood and their potential availability.

And that's why we wrote in our press release that we expect to have a decision done in times before Bob departs sounds unusual. CEO leaves, how could you possibly get something done in a month. And maybe it's just the characteristic of Pinnacle Food, we move fast. But sometimes, it doesn't work out. And if it doesn't we do have an interim plan and again back to Bob, he is happy to come back and help in any transition, whenever it happens.

So, that's sort of the game plan on the succession and I would just want to end by sort of echoing what Bob said is that, there are very bright prospects for Pinnacle. I will – I'll also echo what you said. I'm also a very, very large investor in Pinnacle. And so, we are very much aligned in getting the right CEO and doing it right and doing it quickly and I will also say that you will see in today's presentation that you should be convinced that the prospects are bright because of what you see on this.

So, let me turn it over to Craig and as Bob said, he and I will be up here and we're happy to answer the questions, after we finish the presentation. Thank you.

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## Craig D. Steeneck

*Chief Financial Officer & Executive Vice President*

Good afternoon, everyone. Okay. So, what we're going to cover today is, I'm going to cover a brief overview of Pinnacle over the last couple of years and then, we're going to move it to how we've been executing our playbook and then Mark Schiller is going to take over in terms of expanding our business and our evolving portfolio and the evolving focus there and then I'll close with a financial update and reiteration of guidance.

So, first of all, almost three years ago to the day, we've done – we did our IPO and this is the algorithm that we presented at that point in time, a 10% to 12% shareholder return and that acquisitions would be accretive and on top of that. And in the three years, since the IPO, as you can see, we have met or exceeded that in all three years with importantly the base business delivering on the algorithm and the three acquisitions that we've done since that point in time being Wish-Bone, Gardein and now Boulder, being additive to a strong base business.

And importantly, and you can see on the top there each of the three years, we have gained market share and outpaced our categories, and then no difference of opinion or no difference from the historical piece as we look to 2016. We put out guidance when we did our earnings call at the end of February, and we're looking for at the midpoint of our guidance range another year that will get round about 10% growth in terms of EPS. So everything intact in terms of what we promised at the IPO, how we've delivered the first three years and our expectations for 2016.

Here is a look at the Pinnacle business now on a pro forma basis, including the Boulder acquisition, which I think everyone knows we closed on January 15, 2016, about a $3.2 billion portfolio and the Birds Eye and Duncan Hines Grocery retail divisions, the businesses that Mark Schiller runs represents about 75% of the combined portfolio.

I'm now going to migrate to how we have created – how we create value and how we have executed our playbook over the last several years. First and foremost, and again this is nothing new from what we've discussed with all of you over the last several years is our portfolio management strategy, industry leading efficiency in both productivity and our lean SG&A structure and an ability to be able to convert those earnings into cash at a very high ratio and none of that has changed.

So taking them one by one. First of all portfolio management strategy. As we've articulated before, those are the brands that we look to for our leadership brands and those are the ones that we're going to invest incremental marketing into where we're going to have breakthrough innovation likely done on Birds Eye and soon to come on Wish-Bone, which Mark will cover, and then our Foundation Brands, the brands that keeps the lights on, where we want stable market share and that's going to be more of a renovation focus as opposed to an innovation focus. And then, importantly, as we add the Boulder business, we're going to manage the Smart Balance business as the Foundation Brands similar to the other brands in that section. I'm going to get and look to expand in our Gluten Free offerings and Earth Balance and EVOL.

As I said before, in terms of where we stood, in terms of the algorithm, we've gained market share in each of the last four years, obviously driven by our Leadership brands and to-date in 2016 after two periods continuing to get nice market share growth with almost 100 basis points. And that has really come from again which is our hallmark, our Leadership brands, driven by the Birds Eye franchise, in terms of both Birds Eye vegetables and Birds Eye Voila! but every brand except for salad dressing, which we have a plan for 2016, every one of those have gained market share. And that's for the 2015 time period.

Industry leading efficiency. As I said before, we feel we're at the top of the class in terms of productivity and have generated nearly 4% productivity and that's defined as reduction in cost of goods for the last several years. And I've put guidance out for 2016, again aided by some organic cost savings within the Boulder portfolio, again, to be at that 3.5% to 4% productivity range.

And SG&A was, talk you heard Bob and Roger talk about, we're a lean organization, our SG&As as a percentage of net sales is at 9%. And when you comp that against our peer group, a marked improvement against peers and we continue to keep that discipline in play at 9% that's been what it's been since the IPO.

Gross margin expansion. Over the last several years, we've been able to get almost 300 – in excess of 300 basis points in terms of gross margin improvement and a lot of that driven by the productivity in excess of inflation. Our portfolio management, which is mix positive, all of our innovation is margin accretive, as we have articulated for some time now. And importantly, that gross margin translates to operating income almost dollar-for-dollar. So with the lean SG&A we have in place, we are able to get nice leverage there. And for 2015 kind of an important benchmark, we hit on an adjusted EBITDA basis, hit on adjusted EBITDA margin of 20%, which is again as good as anybody in the food space.

And I think, really importantly here is, despite that, that fantastic improvement over the last couple of years, we finished 2015 at about 28% gross margin and when you comp that against others in our industry, you see we still have plenty of room to be able to progress up hat scale and continue to drive gross margin improvement. So we believe there is significant upside that still exists in term of driving gross margin.

And then last but not least, when we get improvement in gross margin that translates to EBITDA performance or EBIT performance, as I showed before. We're able to convert those earnings to cash at a very high ratio, in the probably 80% range and you can see we're generating about $400 million in unlevered free cash flow. And when you look at that as a free cash flow yield, again against our peer set, we're at 6% versus the average of 4%. And that's despite in 2015, we've had to build a little bit of frozen inventory, linked to a really good crop season in 2015, where all of the self manufactured crop that we produce had a banner year, which is going to help our cost base in 2016. And with all of that innovation we launched, on the Birds Eye franchise we had to carry a little bit inventory in terms of covering those new items. So that's clearly going to be an opportunity as we progress through 2016, mostly later on in the year to get a nice additional pick up in working capital.

So with that, I'm going to hand it over to Mark Schiller to move into expanding our business.

## Mark L. Schiller

*Executive VP & President-North American Retail*

All right, I'm going to peel back the onion a little bit more for you guys and give you a peek in terms of how we're achieving the results that Craig just walked you through. So let me start with – we expand our business by reinvigorating iconic brands. We have a great portfolio of products, a combination of the innovation and renovation as well as margining up our business by trading consumers up and managing our mix allows us to grow the business. And then we've created a great capability within our sales organization to be able to activate all the ideas that we generate with our retail partners. And then on top of that, we add acquisitions which can be both accretive at the top line and the bottom line to add even more value and more growth for the company. So let me peel that back a little bit for you starting with Birds Eye.

So we've talked to you a lot about Birds Eye and the fact that only one in 10 consumers out there is eating enough vegetables. Everybody knows they should be eating more, but they're not for various reasons. So we think this category is incredibly expandable, and our job is to figure out what the barriers to consumption are, and give them products that will meet those needs.

So we launched three platforms last year that met three different issues within the category. One is a lot of people don't like to taste the vegetables, so we paired popular vegetables with popular flavors like buffalo and cauliflower in our flavorful line. A lot of people are looking to get more protein in their diet, but don't necessarily want to do it through animal protein. So we launched a line of side dishes that have legumes and whole grains and vegetables called Protein Blend. And then we also launched Disney-themed sides to help mom with that tug-of-war she has with her kids to get them to eat their vegetable. We gained about 75% of the space for all of these items incrementally, and importantly the sales of these items were very incremental to the franchise. We actually grew the base business, while launching three big platforms simultaneously.

And so, what you see on the bottom right, is we had significant growth in our consumption and our share for the year. And as we start 2016, those growth rates have even accelerated in the first couple of months of this year.

And we're not done. Starting actually Monday, we will be shipping extensions of each one of those three platforms, because we think there is a lot of room left on all three. And these aren't just new flavors of what we've been doing. If you look at Flavor Full, there's some vegetables that we're not part of the line like brussels sprouts or green beans.

In the protein line, we're introducing fruits with pineapple and some of the offerings; and in the case of the Disney-themed offerings, we're going after more male-oriented properties and some that skew a little bit older to tweens versus the original lineup that was more toward girls and a little bit younger. So we're confident that these will be very incremental from a consumer space. And we already know that we've gained significant incremental space with these launches as well. So we expect our space in the store is going to continue to expand.

On top of Birds Eye veg, we also have a great meals business called Birds Eye Voila! which has been growing consistently for a long time. We've done that by trading consumers up to a family size offering, so you can see the family of four a vegetable rich meal for under $7. And we've recently just two months ago launched a lineup of products at a premium price that extend us beyond chicken in our core two person lineup with things like shrimp, beef and pork.

And what you see is, we've able, over a long period of time, to consistently gain share. We've more than doubled our market share, since we acquired the Birds Eye business, and our consumption has almost doubled as well. And importantly, we added capacity last year to be able to continue the growth on this business going forward.

The baking category, we often get a lot of questions about the baking category. It has been a relatively challenged category the last couple of years, and what's interesting about this category is consumer interest in baking is very, very high. They see TV shows like Cake Boss, they go on Pinterest and they share their recipes and tips and tricks. But in the store, it's very price competitive and there are some structural barriers in the category that need to be addressed. An example of that would be, that 60% of households have one or two people in the house, but when you bake a box of cake mix, it bakes enough cake for 12 to 14 people. So unless you're baking for a party, you're not going to be making cake mix, and that's leaving a lot of boomers whose kids are going off to college, they don't have reasons to bake as much for the family anymore, they're not baking for the after school snacks or the sports team.

So how do we address that? We really do three things. One, we tap into the excitement consumers have for this category. We are one of the highest engagement brands on Facebook. When we post a video online, we get a million views in three days. So we really understand this consumer and how to engage her. We also spend a lot of energy trading consumers up to margin accretive innovation and making sure we're getting maximum penny profit out of every transaction in the category, and we do this by innovating to address the barriers that I talked about.

But just real quickly, here is a good example of how we trade people up. Five years ago there was only one price tier within the cake line, the baking line, and it was the classic lineup that basically competes on price with multiple competitors. And what we've done over time is, we've segmented the line into three different segments, and we put all of our emphasis on the right side of the page.

Trading consumers up to value-added offerings that are margin accretive and what you see is that strategy has worked well for us, because we've been gaining share on the right side of the page, and we're actually willing to give up some share on the left side of the page versus chasing unprofitable deals, that at the end of the day won't be beneficial to our P&L. So by doing this what's happened over the last couple of years in a category that's declining, we've held share overall, but we've margined up our business and increased our profitability by going after higher margin, higher priced offerings in the category.

In terms of addressing structural barriers, I talked about the one and two person households. If 10 to 12 servings for a cake is too many, then why not give them a cake that's good for two to four people. Now the challenge with doing that was, consumers only have one cake pan size in their house, it makes enough for 12 to 14 people. So what we had to do was, figure out a way to inexpensively provide them with the pan that they could bake in. So what you've got is Perfect Size, which we launched last summer, it's a kit that includes the mix and the frosting as well as a six inch disposable pan. What's great about that pan is not only does it allow you to make a smaller cake, but you do all the prep in the pan and then you throw it away when you're done, so there is no cleanup as well. So we provide added benefits for the consumer.

So Valentine's Day, now that we've cracked the code on the pan, we could do it in different shapes. So we came out with heart-shaped cakes for Valentine's Day, which was a blockbuster, and we will expect to continue to expand in more shapes as we go forward, now that we know how to do this efficiently.

So, all of this, the great news in a category that's struggling where people are leaving the category, 45% of the purchases of Perfect Size have been incremental to the category. We're actually bringing people back in who have left, and the people who are there we're getting them to bake more often. That's great news for a retailer. This is a huge traffic building aisle for them because they sell the eggs, and the oil, and the cup cake liners and lots of other things with that box of cake mix. So it makes us the preferred partner when they're looking for, what do they need to do next in the category.

Wish-Bone; we've talked to you a lot about – when we bought Wish-Bone from Unilever, we needed to build a manufacturing plant in St. Elmo, Illinois and we wanted to do that first before we came out with innovation so that we could keep it in-house and do it most efficiently. I'm pleased to say that line is up and running, and in fact we now came out just two months ago with two different platforms on Wish-Bone. One, it's extra virgin olive oil base that's sitting on your table and hopefully you enjoyed it with your salad. What's different about that line is that extra virgin olive oil is the primary ingredient in the bottle. Other people who have extra virgin salad dressing, its way down on the ingredient panel, it may even be the third or fourth oil. For us, it's the second item on the ingredient panel after water. So there is no more extra virgin olive oil that you can buy in a mainstream salad dressing in the grocery store. And again premium price, premium margin versus our core lines.

The one on the right is called Ristorante Italiano, it was really answering consumer's request for more bold flavors, something that's got a little bit more punch to it. So these are the kinds of things that you'd find in a fine Italian restaurant. Artisan cheeses, herbs and spices, they're absolutely delicious and again those came out as well in January.

What's great about what's up here, is almost all of this innovation got incremental space from the retailers, didn't come out of our core business. So we expect to see the growth rate on Wish-Bone accelerate in 2016.

Gardein, we've also had terrific growth on the Gardein business both before we acquired it and since, it's up about 40% on a compound annual growth rate over the last several years. And our biggest challenge on this business has been keeping up with the growth. There is a lot of potential here. We added $5 million into the Vancouver facility to expand our capacity about 30%, that's enough to get us through 2015 and 2016. And then we bought a plant in Hagerstown, Maryland that will come online in 2017 and expand our capacity another 50% to keep this business growing.

And how have we done it? Same way that I showed you on the other businesses. Terrific innovation, premium innovation, and what's interesting in the one on the bottom, skillet meals we're getting into for the first time on Gardein this year, and that's a good example of how we're leveraging the capabilities of core Pinnacle with acquisitions, because we have that skillet meal technology on Birds Eye, we know how to do it efficiently and make delicious products. We're now bringing that to the Gardein business to help accelerate the growth rate there.

And we do this across all of our businesses. So we're trying to create premium tier, trade consumers up to higher priced offerings and higher margin offerings. Here's some examples of how we do it on Seafood and Hungry-Man, but we do it on most of our businesses and that's been a critical part of why that margin that Craig showed you keeps creeping up every year. And having great innovation is one thing, but you have to be able to activate it through the retail partners and the number one thing that correlates with growth, in the grocery store is space. If you're gaining space, chances are you're gaining sales; if you're losing space, it's a lot harder to gain sales.

I'm proud to say that we've increased our space 28% in the last several years, behind all of this innovation, and we've done it in a lot of ways, but one of the primary things that we've done is, we've moved from what was primarily a brokered sales force through a third-party selling organization to our own employees selling at headquarters with our key customers. We now have about two-thirds of our business sold directly by our employees. And as part of bringing headquarter selling in-house, we also have developed capabilities around category management, pricing, assortment optimization, so that we can be a much bigger partner with the retailers.

And if you don't believe me, there's a company called Advantage, that is an external company that actually interviews the customers and talks to them about the top 20 food manufacturers and asks them about 15 to 20 different questions to rank all of the different companies against each other in terms of who is best meeting the customer needs. In 2013, we were in the third tertiary, "tertile". Last year we moved into the middle and this year we're in the top part of the database, as the number seven selling organization to our customers.

And what's interesting, within that we were ranked number two in terms of personnel and number one on innovation. So clearly there's a lot of things going right and a lot of that innovation that I just showed you about, clearly appreciated by our customers and recognized, and so we are becoming more and more of a go-to partner for them as they look for growth particularly in the center of store.

And with the recent acquisition of Boulder and Gardein, we now have capability and relationships across all channels and customers, which allows us to continue to accelerate growth and leverage the capabilities of each organization to expand our performance.

The other way we grow is through acquisitions and obviously we've made three acquisitions since we've gone public. Wish-Bone allows us to get into the number one vegetable occasion, which is salads. Gardein expanded our presence in frozen as well as plant-based nutrition, and it's also very synergistic with Birds Eye as I showed you on the skillet meals side. And there's lots of other things we can do between these two brands.

And we're excited about Boulder, which is primarily a frozen company as well and it also gets us into much faster growing categories, which have a lot of potential going forward. So we're excited about all these, they all fit a very clear model, clear criteria in terms of what's in bounds and out of bounds and we see a lot of potential across all of these.

A little bit more about Boulder, because that's our most recent addition and I know there is lots of questions about it. One of the things we love about this business is, it's very concentrated between a couple of brands and a couple of categories. So a little bit more than half is in the gluten-free space where we have the number one and number two brand.

We are a big presence in spreads between Earth Balance and Smart Balance, one being plant-based and one being heart-healthy. And then we have EVOL, which is a premium meal, clean label, which again is a terrific complement of the other meal businesses that we already have in the portfolio.

And as you see on the right, there is lots of strategic rationale as to why we think this makes sense for us. It expands our presence in health and wellness. It allows us to leverage sales force capability, gives us great new platforms for growth across multiple temperature states and of course there are significant synergies that you've heard about as well.

So when you look at the two side-by-side, core Pinnacle and Boulder, you see there is a lot of overlap and a lot of synergy. It's a nice fit with our business. But there is actually three places where we think it expands our capabilities, one is in refrigeration, having a go-to-market refrigeration system. It's a great opportunity for Pinnacle. We have several brands that can play very nicely in refrigerated. But we needed a go-to-market system to do that. It gives us a much bigger presence in natural and organic. And because only 60% of their business is self-manufactured, we think there is a lot of productivity opportunities within that business as well.

And just to peel back the onion a little bit on Boulder. Overall, the company is growing about 3%. It's accelerated a bit since we purchased it and that by itself is exciting. But really when you peel back the onion, three quarters of the business is growing at a double-digit rate. So these are very high-growth businesses in very high-growth categories and we expect that growth to continue.

And as you know, Smart Balance, which is about 23% of the portfolio, has been declining. But there's two important things you need to know about Smart Balance. Number one, our acquisition thesis did not assume any improvement in the run rate of Smart Balance. So we don't need Smart Balance to grow faster for this acquisition to be accretive and make sense for us. But number two, we actually see potential in turning around some of these trends and we already have plans underway to renovate this business and reinvigorate this iconic brand as we've done so well on some of the other businesses that I talked about.

So we're optimistic about the future. The business is already starting to get better on its own. But we think there's things that we can do to accelerate that journey and we're excited about what we have within this business.

So let me shift now a little bit to how we're evolving our portfolio. And in particular, health and wellness is at the core of what we've been focused on. It started with Birds Eye back in 2009, at the end of 2009. And as I talked about, we think there is just incredible expansion opportunities given how far away consumers are from eating the ideal amount of vegetables.

So, I showed you already on Birds Eye what we've been doing and how we'll continue that journey. But when you really look back at where we were before Birds Eye, there wasn't much that you could characterize as health and wellness in this portfolio. And we can debate whether Vlasic counts as a big H health and wellness brand or a small h health and wellness brand. But at the end of the day, it's a plant and it's zero calories. So a lot of people eat Vlasic as a no-calorie snack.

Since that time, we've made four acquisitions. We've made the Birds Eye acquisition and the three that I just talked about. And so now 55% of our portfolio plays in health and wellness. And again, we can debate big H or small h, but there is no question that we're moving our portfolio in the right direction relative to where the consumer is going.

And we're clearly starting to get recognized as a leader in this space. We're winning a lot of awards across multiple brands in our portfolio, including legacy brands like Birds Eye not to mention Gardein and EVOL and Earth Balance and some of the stuff that we've more recently acquired. So we're really starting to make a name for ourselves as a leader in this health and wellness space.

And when you think about our portfolio, there's really three platforms at the end of the day that our businesses have concentrated in, plant-based consumption, gluten-free and pure and simple meals. I'm going to talk a little bit about the first two. But what I love about this chart is while there is a lot of checkmarks on here, there is also a lot of places that don't have checkmarks, which is the opportunity for us to continue to bring feature and benefits to each of these brands to create additional growth for our portfolio.

So let's talk about a little bit about plant-based nutrition. Why are we so excited about plant-based nutrition? We actually think we're at a tipping point in terms of people starting to look at plants as an alternative to animal protein for three primary reasons. One, a lot of people just believe it's healthier and there's actually a lot of scientists and doctors who will tell you eating plants is a healthier diet than eating animals. And so you see the emergence of things like Meatless Mondays. And we know in talking with consumers that a significant percentage of the population is actually trying to cut down on animal protein.

The second, which is not a very well-told story yet – it's much bigger in Europe, but it will be a much bigger story here in the United States – is that plants are incredibly sustainable whereas animal protein is not. It takes 47 times as much water to make a pound of beef as it does a pound of vegetables. And in fact, livestock is the number one contributor to greenhouse gases in the United States, more than the entire transportation industry combined.

And then, the last one is affordability. As emerging markets starts to develop a middle class and consumers have more disposable income and want plant-based proteins, we expect – or animal proteins, we expect the price of animal proteins to go up, which makes plant-based proteins a very attractive alternative. And most importantly, we've got the government on our side saying, look, this is the right thing to do. No matter how you slice it, the science would say plants are good for you and better for the planet than an animal-based diet.

So we're excited about the potential there and we're also excited about the potential in gluten-free. It's continuing to grow at a rapid clip. I know there's a lot of questions around do we think that gluten-free is a fad or a trend, do we think it's slowing down. We think that gluten-free is here to stay. There's science behind it. There are people that are dependent on a gluten-free diet and we expect that this will continue to grow going forward.

Why do we think that? When you peel back the onion, basically 60% of the people that eat gluten-free products are doing it for health reasons, either because they have to or because they have some kind of gluten sensitivity and it makes them feel better to eat it. So as more and more people get diagnosed with celiac disease or just are trying to address some gluten insensitivity, we know there's a huge percentage of the population – underneath the surface of that iceberg, there's a massive population of people that are yet to discover gluten-free and we believe that they're going to continue to discover it at a rapid rate.

And so while some of the 42% that are not eating it for health reason – for feeling better reasons may drop out, we're very confident that more people are going to come in over time as they start to realize the benefits and get diagnosed with things like celiac disease. So we're excited about the potential of gluten-free and the growth that we see ahead there.

And I'm frozen. There we go.

And lastly, we talked about keeping two separate headquarters for our business going forward because there's really unique capabilities in each location. We have the more traditional mainstream products through the more traditional channel based out of Parsippany in New Jersey. But we need the more food-forward culture and the natural organic focus that we have in Boulder. And while there's lots of synergies to be had between the two locations, we think keeping one focused on the future of food and one that's much more focused on the mainstream of food will allow us to maximize the potential of both opportunities. So we are keeping the headquarters in Boulder and we're excited to bring them into the family and we look forward to continuing to grow the business.

With that, let me turn it back over to Craig who'll talk about the financial outlook.

## Craig D. Steeneck

*Chief Financial Officer & Executive Vice President*

Okay. So we're going to close our prepared remarks with just an update on our financial performance. So first of all, we presented and released our results for the full year of 2015 at the end of February. We joked internally the chart may be boring, but the performance within it is not.

There are a couple of things to be able to call out. First of all, our North American Retail business had an exceptional year led by Birds Eye with 3.3% growth in terms of net sales. Continued gross margin expansion, as I showed previously on that chart, 80 basis points in 2015 and diluted EPS at plus 10% versus year ago, at $1.92 which was above our original guidance range.

The productivity continues to be kind of a hallmark of the business and our performance in this regard. As I showed before, we generated productivity very close to 4% of cost of goods the last couple of years. A reasonably benign inflation environment, so a great gross margin expansion from just the delta on these two. And that doesn't change for 2016. We're expecting 3.5% to 4% in terms of productivity and our inflation estimates are between 2% and 3%. So we'll get additional gross margin expansion again on the delta of these two, productivity and inflation.

Next slide. Okay, a little bit of technical... I'd start telling jokes, but that probably wouldn't be a very good thing. Our input cost basket. So a very diversified portfolio that serves as a natural hedge. No one commodity makes more than 8%, 9% of the overall portfolio. And like in all years, you get some components of it that are more inflationary and some that are deflationary. For 2016, which is now a pro forma, it includes the Boulder acquisition for the full year. So $2.3 billion of cost of goods. More inflationary is certainly sweetners and sugar and cocoa and eggs and dairy, which don't make up a huge percentage of our portfolio. And then obviously what everyone reads in the newspaper in terms of grains and oils being deflationary and proteins. But all in, when you mix it all together, again, our guidance range is 2.5% to 3% inflation or 2% to 3% inflation.

There is life after the NOL. We will become a cash tax payer in 2016. But because of the residual carry-on effect of the NOL, plus the amortization from not only Wish-Bone and Gardein but now the new Boulder acquisition, we'll have a $30 million cash tax shield that lasts for the next 10 years.

The overall guidance we've given in terms of the effective rate between 36.5% and 37%, so that's the effective rate for the tax provision, which we believe we'll have an opportunity to be able to improve over time as we bring Boulder into the portfolio and find ways to be able to optimize that. And then from a cash tax perspective, we're estimating about $60 million to $70 million of cash taxes in 2016, which translates to about a 17% effective tax rate on that. So the delta between the P&L and cash is about 20 basis points.

CapEx for 2016 guidance, between $135 million to $145 million, $90 million for the base Pinnacle business, $20 million for normal maintenance capital associated with Boulder. And then Mark referred to before, we're adding capacity on Gardein in a new site we bought in Hagerstown, Maryland. That will add $30 million, which is that top bar in 2016.

And I showed this before but just to carry it forward an additional year. So we fully expect for 2016 that we'll generate an unlevered free cash flow in excess of $400 million or $425 million, obviously with stronger EBITDA performance and working capital management particularly on the inventories that will more than offset any increase that we'll have in cash taxes. So another year of north of $400 million cash flow, continuing the trend of being a high generation of cash.

And just a little bit of a snapshot and history on how Pinnacle has been able to delever since the original LBO by Blackstone. So you can see over 7.5 times leverage back in 2007. The IPO was a significant delevering event where 100% of the proceeds went to pay down debt, brought it to 4.5 times. We have levered up to be able to go after strategic acquisitions. So you can see in October of 2013 when we acquired Wish-Bone, we took our leverage up, temporarily up to 4.9 times and very quickly after that by the end of 2015, so year-end last year, leverage was below 4 at 3.8 times, which is the low mark in Pinnacle history. And as we announced, we've raised $900 million of debt to do the Boulder acquisition, again, which temporarily takes us up to 4.8 times. And we fully expect by the time we get into the middle of 2017 when we have full realization of the synergies that we'll be back to that same 3.8 times levered by the time we get to the end of 2017.

What do we do with that cash? As we've shown in the last several years, first and foremost, strategic acquisitions. The three we've done since the IPO. Very important, post an acquisition, that we use the cash at least for the year in – year to two years, look to take that cash and delever and pay down debt. And then at some point in time in the future, even though we don't have an authorized program from the board, share repurchase could come into the mix somewhere down the future. But the clear focus for 2016 and early 2017 will be to use the cash to pay down debt and get some deleverage.

And then just want to reiterate our guidance again that we gave a couple of weeks ago. Growth in line with our categories, although in the last several years we have certainly done better than that. As I said before, inflation at the 2% to 3% of cost of goods. Productivity, high end of the range, 3.5% to 4%. Effective tax rate comparable to what it was in 2015. A diluted EPS expectation of $2.08 to $2.13. That includes $0.05 from Boulder, which is consistent with what we said on the earnings call.

Everything associated with the Boulder integration is absolutely on track. We've said $30 million of synergies, run rate synergies when we get into 2017. Since we've owned the business now for the better part of two months, I think everything that we've seen up to now gives us a greater level of confidence that we'll be able to achieve that and perhaps more when we get to 2017. So everything on the Boulder integration very much on track, feeling very comfortable, very good about that.

Then I talked about the CapEx expectation previously. And then just in terms of timing and calendarization within that, not dissimilar to previous years. The inflation and productivity improvements will be mostly second half weighted. And I think importantly and again we articulated it on the call that Q1 will have significant new product innovation costs behind it.

What Mark just showed, we have nine SKUs that we've just launched in terms of Wish-Bone, which you're sampling today. So with those nine SKUs in the first quarter and a consumer marketing investment behind it, the first quarter EPS growth will be very muted. But the next three quarters will be obviously significantly stronger. So an upfront investment to get the slotting and get the new items out and then we'll get a very nice year-on-year growth for Q2 to Q4. So nothing change relative to that expectation.

And then just in closing. We'll recover before being able to execute our playbook. Been consistent since the IPO in terms of portfolio management. Industry-leading efficiency in terms of both productivity and our very lean overhead structure and being able to convert earnings to cash at a very high ratio. So I covered that bit.

Mark then took us through the innovation and renovation we've been able to do over the last several years, obviously a lot of that in Birds Eye, Birds Eye Voila. But now new innovation coming on Wish-Bone. We've been able to get TDP expansion, distribution expansion from the moves we've made within our sales team. And then we've supplemented and added strategic acquisitions as part of that expanding the business. And now the evolution of the portfolio as we're migrating to slightly faster categories in terms of the pieces that we've added with Boulder and the ability to be able to mainstream health and wellness.

So with that, we're going to open it up to your questions. So my colleagues will join me on the stage and we're happy to take questions.

# QUESTION AND ANSWER SECTION

**Maria A. Sceppaguercio**
*SVP-Investor Relations & Communications*
A

[inaudible] (58:33) We have Veronica in the back and we have Jacky up front. So we have a couple of mics that we could pass around. And yes, questions and the team and I will do our best to answer your questions. Who wants to get started? Veronica, there's someone behind you.

**David Palmer**
*RBC Capital Markets LLC*
Q

Thanks. Hi, it's Dave Palmer, RBC...

**Maria A. Sceppaguercio**
*SVP-Investor Relations & Communications*
A

Hi, Dave.

**David Palmer**
*RBC Capital Markets LLC*
Q

...back here. Question about the gross margin chart that you had before. You're at 28% and clearly you believe that you're going to take that gross margin up over time. Perhaps you can talk about – I know you're doing some in-sourcing of things like, for instance, Wish-Bone. But you might have some other plans with Boulder Brands and you're clearly benchmarking against the peer group. What are some things that give you line of sight in terms of improvement there and what are the big buckets that will get you there? Thanks.

**Maria A. Sceppaguercio**
*SVP-Investor Relations & Communications*
A

Okay. Craig, you want to -

**Craig D. Steeneck**
*Chief Financial Officer & Executive Vice President*
A

Yeah. So as you articulated, David, number one, very good line of sight in terms of our productivity programs and we paid where we've got opportunities in terms of being able to in-source some co-pack volume, additional rollover of the in-sourcing on the Wish-Bone plant that will get incremental benefit in 2016.

And clearly, as we pursue and look at the Boulder opportunity, the Boulder management team had put some organic cost savings in place, a lot of that in simplification of its co-pack network of some SKU rationalization. That's certainly going to give us some upside for the balance of this year and into next year. Even though the synergies on the Boulder business are above and beyond that productivity, we feel quite good about that.

So the productivity program at Pinnacle is an ingrained piece of our culture. We've got a very senior level team that reports on that to the leadership team on a monthly basis. We've got 100% of this year's productivity already identified and projects in the hopper. And as we're starting to look out to 2017 just like we do on innovation, we have a goal of ensuring we have 100% of the productivity for the new year identified by the close of the new year. So we believe – as you look at that chart, we're at 28% now. You'll look at our peers – we believe there's nice upside relative to continuing expansion of it.

**Mark L. Schiller**
*Executive VP & President-North American Retail*
A

And I would just add one other thing if I could, margin-accretive innovations.

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**Maria A. Sceppaguercio**
*SVP-Investor Relations & Communications*
A

Right.

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**Mark L. Schiller**
*Executive VP & President-North American Retail*
A

And mix management. So we have the portfolio of leadership brands and foundation brands. The leadership brands are higher margin; they're growing faster. But all of that innovation that we showed you is margin-accretive. And so in almost all of our leadership categories last year, we got significantly more pricing than our competitive set through mix as well as list prices and trade reductions. So we're getting mix out at the top line and we're getting mix out at the cross side as well.

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**Maria A. Sceppaguercio**
*SVP-Investor Relations & Communications*
A

Okay. And then we've got one over here. Jeff.

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**Jeffrey George Kanter**
*UBS O'Connor LLC*
Q

A couple of questions for Bob. So every quarter, you get questions by a handful of analysts about your willingness to do transformative deals and your answer has been consistent.

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**Robert James Gamgort**
*Chief Executive Officer & Director*
A

Yeah.

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**Jeffrey George Kanter**
*UBS O'Connor LLC*
Q

The thought yesterday was that you're leaving because that opportunity is dead. I'd love your comment on that and then I have two quick follow-ups.

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**Robert James Gamgort**
*Chief Executive Officer & Director*
A

Sure. You want me to start?

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**Maria A. Sceppaguercio**
*SVP-Investor Relations & Communications*
A

Sure, go ahead.

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**Robert James Gamgort**
*Chief Executive Officer & Director*
A

Yeah, I make it very clear, the decision to leave is 100% based on the uniqueness of the opportunity that I just talked about. There had been many opportunities that have come my way that I haven't even – not only have I not done them obviously. I haven't engaged in a conversation because I love the Pinnacle business. I got a ton of faith in it. And I have great fun – in addition to having a rewarding experience, I had great fun working with this team and with this board.

So this is an opportunity that is very unique, very compelling. And it's got a lot of elements to it that are kind of complex to talk about here that have drawn me here. As I've mentioned a bunch of times, this industry needs to consolidate. Pinnacle is a consolidator. It is the best consolidator and we work on a number of different levels. We've done mid-size and small deals that we are able to control our destiny on. And most importantly, we deliver great core performance.

So think about the chart that Craig put up. In the three years since we've gone public, we've met or exceeded our algorithm on the core business and we've added some nice acquisitions on top of them that have enabled us to beat all of our expectation. And that's unusual because typically you see sometimes acquisitions put on top of a weak foundation. We got a strong foundation and we're adding that on there.

We would love to do a big deal, whether it's a acquisition, a merger or an RMP. Of course we would. And the reason we love it is because there is great value creation potential for all of us. And as we said, we're big shareholders as well, so we want to do that. That doesn't change one bit.

A couple of points I'll make and actually I'm going to turn it over to Roger because you need to hear that from the board as well. Not only has the board and the management team been co-creators of the strategy. There isn't an M&A opportunity that Craig and I are not together on in every conversation. As we've joked around, we are the corporate development team. We don't have a strategy group or a development group. It's Craig, it's me and it's Maria.

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**Roger K. Deromedi**
*Non-Executive Chairman*
**A**

I help sometimes. Come on.

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**Robert James Gamgort**
*Chief Executive Officer & Director*
**A**

I'm getting there. And so that core group. Anything that's big, Roger is involved from the very beginning. It's just the way that we operate because our belief is we don't want to bring the board in later. And in lots of conversations, we put some bold ideas on the table. And the other side says, how much is your board in line with this. And we say, 100%. We've already vetted this with the board. And in many of those situation, because of Roger's experience and because of his contacts and, look, he's a great thought partner on all this stuff. He's very skilled at understanding the food business and very creative. He's sitting there with us in those conversations.

So, look, do we wish one of those big deals has happened? As a shareholder, absolutely. I'm 100% aligned with you. The fact that it hasn't happened hasn't kept us from delivering great performance and it has nothing to do – zero to do with me leaving. And what I would tell you is if you look at the corporate development group that's been driving all of these, two of the three players remain when I leave. And as a continued shareholder, I'm really hoping the big deal happens any time afterwards. And I think just, Roger, your point of view [indiscernible] (01:05:20) the board's appetite to continue to -

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Roger K. Deromedi
*Non-Executive Chairman*
A

I think you've said it very well and I'll just say the same thing. Nothing has changed. The fact that Bob has decided to go do something else doesn't change our strategy, doesn't change our view about acquisitions, doesn't change our view about small ones, medium-sized or large ones.

Jeffrey George Kanter
*UBS O'Connor LLC*
Q

Okay.

Roger K. Deromedi
*Non-Executive Chairman*
A

Nothing's changed.

Jeffrey George Kanter
*UBS O'Connor LLC*
Q

Quickly, are you allowed to take anybody else to Green Mountain?

Maria A. Sceppaguercio
*SVP-Investor Relations & Communications*
A

I'm going to just jump in on that one.

Robert James Gamgort
*Chief Executive Officer & Director*
A

Yeah, please.

Maria A. Sceppaguercio
*SVP-Investor Relations & Communications*
A

Because we did get that question a bit yesterday.

Jeffrey George Kanter
*UBS O'Connor LLC*
Q

I would imagine.

Maria A. Sceppaguercio
*SVP-Investor Relations & Communications*
A

You need to know it's really important that everybody that joins Pinnacle at a senior level is required as part of their employment with the company to sign a non-solicitation agreement. And that means for the period of about a year, you can't even think about doing that. So that's just a requirement that all of us have. It's not just Bob. And then I'll just turn it over to Bob to talk about how he feels about that.

Robert James Gamgort
*Chief Executive Officer & Director*
A

Yeah. I was going to say it's funny because I got asked that question yesterday and I didn't even know what the length of time was. So halfway through that, I went and looked it up. And the reason I don't care is because I wouldn't do it. If you look at my track record when I went from Mars to Pinnacle, I didn't bring anyone with me. In fact, the only Mars person you see on that chart is Mike Wittman and that's 6.5 years after I left Mars. And Mike had decided that he was going to leave at that point in time.

And the reason I don't do that is because I believe in playing the long game. The thing about what's interesting is the people that I'm about to go partner with in many respects – some of the people I'm about to go partner with were still there at Mars when I left. So you play the long game and you do the right thing and it serves you really well. And the other part two is if I'm going to continue to be a significant investor in this business, I wouldn't do anything that wouldn't strengthen the business. So there's no concerns over that.

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**Jeffrey George Kanter**
*UBS O'Connor LLC* **Q**

Okay. And last question along the – that was a good prelude to it. So just so we're not all caught off-guard, do you have a sense on how much stock you're going to have to sell to reinvest in Green Mountain?

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**Robert James Gamgort**
*Chief Executive Officer & Director* **A**

That's like a – I think I've been incredibly transparent. And I think that's -

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**Maria A. Sceppaguercio**
*SVP-Investor Relations & Communications* **A**

...personal things and -

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**Robert James Gamgort**
*Chief Executive Officer & Director* **A**

But you tried on that one, but yeah.

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**Roger K. Deromedi**
*Non-Executive Chairman* **A**

But you do want to say because one of the – because [indiscernible] (01:07:30) the same rule is when you leave, you have 90 days to exercise your options.

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**Robert James Gamgort**
*Chief Executive Officer & Director* **A**

If I have to.

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**Roger K. Deromedi**
*Non-Executive Chairman* **A**

Every employee has the same rule on options. You have to exercise in 90 days after you leave. So it's not different for Bob or for Craig or for anyone else. And importantly, Bob is still an insider and will remain an insider for a while because there is a cooling off period. So it's not like all of a sudden Bob leaves, he's no longer an insider. He remains an insider for a while. And so – yeah, so Bob has 90 days. He has to exercise and sell his options and also he has to do it in a window. So you know when our window is typically after our earnings releases. So don't be surprised if Bob has to exercise his options and sell some shares and he already said that. So it should be no surprise.

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**Maria A. Sceppaguercio**
*SVP-Investor Relations & Communications*

A

Veronica, anyone over there or Jacky right here? Elliott.

**Elliott Benjamin Waller**
*Levin Capital Strategies LP*

Q

Thank you. I guess a question more for Roger. When we think about where you are, I guess first if you can clarify you would expect at this point there to be a replacement for Bob named by the time he leaves and that date again was May.

**Robert James Gamgort**
*Chief Executive Officer & Director*

A

End of April.

**Elliott Benjamin Waller**
*Levin Capital Strategies LP*

Q

End of April, okay.

**Roger K. Deromedi**
*Non-Executive Chairman*

A

If you want it make May – okay, it's April 30.

**Elliott Benjamin Waller**
*Levin Capital Strategies LP*

Q

And obviously, very new process where you guys are right now. In terms of a baseball announcer, what inning would you say you were in or can you tell us about – do you have a list of – [ph] we're in the first leg (01:08:52), hey, we haven't talked to you in a while, let's talk or are you kind of deep in the weeds there? And then, finally, per the kind of questions you've had today, yesterday or what have you; how do you feel about the expectation set that you need somebody who's going to be somewhat deal-centric to be part of the team of four going to three and that fourth person coming back in? And how should we think about that in terms of -

**Roger K. Deromedi**
*Non-Executive Chairman*

A

Sure. Now two big questions. And let me start – and I talked a little bit about it when I was at the podium. But again, because we're such a lean organization, as I said, we have had a list of – a wide list. We've narrowed it. We then really did a lot of our own internal diligence about it. And I have actually spent – over the last year, spent a lot of time having dinners, talking with folks, spending the time with those we think who could be Bob's backup. And you say, well, why do you do that. And I was kidding Bob, I said, I'm glad you're taking a new job because we do that we were afraid you're getting hit by the tram. You always have to have succession planning.

And yes, we have internal candidates, but you have to have some external candidates given how lean we are. And so, yes, we are – if we use your metaphor, yeah, we are down to a short list. And basically many of those, we know their position, can they leave from where they are now, what it would take to have them leave, what the compensation would be required to have them leave. We are, yes, in that level of detail on these various candidates.

And obviously, on Friday evening, when Bob says, hey, I'm going to decide to leave, we knew immediately. We started our three-person search committee. Boom, boom, boom and started calling folks and had dinners and talk to them already in the last few days. So I've been busy lately in the last few days. Is that a nice way to put it? And so that's why, I guess, we have that confidence. We're not starting from ground zero.

I know a lot of times when a CEO leaves, it's, oh my god, there is some crisis. And you pick up the phone and call one of the headhunting firms and start, can you – and then it usually takes the board a couple of months or a month or so to bring on a search committee and who's going to be on the search committee and how are you going to do that and all that. We have a search committee all ready to go and away we go. And so we are down the path. But as I said, while we have a list of folks we've been really comfortable with; until you announce the new person, you never say it's done. And as I said, we have an interim plan.

And then in terms of – as I said, the board really understands what makes this company tick. This is not a board where you have a bunch of folks who come to a meeting four times a year or six times a year or whatever and sort of hear some stuff and then walk away. This is an engaged board. And we are also a board that – I'll just say it moves fast. If we have a deal – you're always wondering how we do deal so quickly. A lot of times, people wait for the next board meeting to review with board. We don't do that. We call a board meeting by the phone and we just get it done.

And we'll do the same thing when it's time to get a CEO. We'll call a board meeting and be done. So it's not like there is a long process involved here. And then one of the things I did and made sure to your second question is are we aligned in what we're looking for in the next CEO. And I actually created a chart that actually uses these three words on it, executing, expanding and evolving. And what are the characteristics against each of those three buckets you'd want to find in the future CEO. And obviously, executing the playbook, we need someone who knows how to run a food business. So can you have the expectation – what sort of industry we're going to look here; I gave you a sense there.

Very importantly, we know that Pinnacle is a different place. It operates in a very lean way. It moves fast. It is not bureaucratic. So I'm not to mention any other companies, but some companies don't move that way. And many executives at those companies don't move that way. They would not prosper in the Pinnacle environment. And so they are not candidates on this list. So we're very attuned to what makes this place work. Importantly, on expanding the business, people like Mark and so forth who are so good at it, but you still have to have a CEO who can also understand and a good marketer and so forth. So the ability to expand and innovate and understand that and do new products are critical as well.

And finally to the point of evolving the portfolio and expanding through acquisitions and so forth; yes, that's very important too that we have somebody to be able to do that. But again, we have a cadre of folks who know how to do that as well. So it's not going to get lost, but it's one of the criteria on our list as well. So yeah, one of the things I have to remind our board is we're asking for a lot as we look for a CEO. But I will tell you there are people out there that we would be very comfortable that will take this business to the next level.

Maria A. Sceppaguercio
*SVP-Investor Relations & Communications*

A

[indiscernible] (01:13:40).

Q

Bob, you talked about the uniqueness of the opportunity and that's 100% the reason why you're leaving. Can you elaborate a little bit personally what that uniqueness means to you? Because there is an argument to be made. I think that you're in a pretty good spot right now with Pinnacle and that you're going to an arguably riskier spot with the new company, not that they don't – you know risk works both ways, you can go upside and downside. But I'm curious, what don't you have here that you have there?

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**Robert James Gamgort**
*Chief Executive Officer & Director*
A

As you can...

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**Roger K. Deromedi**
*Non-Executive Chairman*
A

I don't think Maria can help you on that one. I think [indiscernible] (01:14:17).

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**Robert James Gamgort**
*Chief Executive Officer & Director*
A

I think there are couple of things. I mean, one is, riskier absolutely from a personnel standpoint, because you take a look at the Pinnacle situation, and you know it is a really good machine, we got a good thing going here and we continue to evolve it. But from a satisfaction standpoint, I love building. And if you take a look at where the Pinnacle business was, when Roger made the recommendation to acquire in 2007 and when I joined in 2009, I would argue that was a very, very risky proposition. And I had many mentors in the industry who told me I had blown my career by going to a $1.5 billion sales company that had challenged categories and really tough brand.

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**Roger K. Deromedi**
*Non-Executive Chairman*
A

I'm glad I was I was more compelling than they were.

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**Robert James Gamgort**
*Chief Executive Officer & Director*
A

He was very convincing. And the reason I tell you that, go back to it, because that's my personality, that's what I like to do. I like to work on businesses where – I like to fix businesses and take them to the next level and create a great organization around, that's where I get a lot of energy from. The businesses need to be fixable. And so you have to be smart enough to say, to separate the difference between short-term performance and long-term potential. And my assessment is a couple of things here. I think this business has tremendous upside. It's similar to where – when I joined Pinnacle seven years ago, it's a bigger platform than that. There are some real – incredible strengths there, inappropriate for me to elaborate on this point that I see within that business.

And I think the ability though to do that in private ownership, which we did with Pinnacle. And I said to many of you that the reason Pinnacle is doing what it's doing in the public market right now is because we have the time and the luxury being private to do some real transformation quickly and take some bold steps with a great board. That's exactly the situation that I walk into here.

Again, as I said, if you're familiar with JV and then it was interesting when I talk to people, people who are very familiar with them, that I get it right away, I think if you're not familiar with them you will be or you should be. And I think the speed in which they operate and the boldness in which they move. And look their values and what we talked about today is exactly what they speak to which speaks to my value. And then let's be clear, I'm very familiar with them, some I have worked with for a number of years, some I have gotten to know incredibly well, and it's hard to replace that factor. And I think as a team, we will do incredible things.

So I could just end it with what you said upfront. This was one of the hardest decisions I've ever made, people say that all the time, they don't mean it, trust me. You want to ask my wife, she would be the one to tell you how much I wrestled over this, in a very short period of time, because they're both great. And so, my only commentary at the end is, that's why we'll continue being a significant investor, because I believe that much in it. I'm going to help recruit and onboard my successor and whomever that is, he or she is a lucky individual because there is so much upside on this business going forward that I think they're going to enjoy it. But thanks for your question.

Maria A. Sceppaguercio
*SVP-Investor Relations & Communications*

A

Andrew?

Andrew Lazar
*Barclays Capital, Inc.*

Q

Thank you. Bob, one of the things, I think that made Pinnacle so successful post the IPO was kind of knowing what it was and what it wasn't, all right. It was knowing the categories you're in, the concept of trying to grow in line with those categories, not thinking of yourself as sort of a growth business, worrying about margin structure, capital allocation, returns, those things have obviously served you and the board really, really well. More recently some of the acquisitions you've done have started to move Pinnacle in a bit of a different direction, right. A little bit more of a growth profile, and so far so good. But that concept on its own sometimes can be a little bit scary for folks, and then that gets taken to a new level, when the person that's kind of been most responsible for bringing on those group of assets moves on somewhere else. So that's something that I had a – having a lot of conversations about yesterday that if you could address, it'd be great? Thank you.

Robert James Gamgort
*Chief Executive Officer & Director*

A

Let me just start it, and then I'd like you guys to build off of this, because again we co-create, so I'm going to be rather short and let these guys understand it. Again, I'm going to reiterate what I said before. What we're talking about, I would argue is an evolution, and taking our business model and perfecting it. We're not fundamentally changing it. The strategic question that we started asking ourselves as a board, is if I mapped out all the food companies into a two-by-two matrix and one was growth and the other one was cost, or just efficiency. I don't like cost, I like efficiency because it's different than cost.

You have companies that are in the low growth, high cost bucket. That's been the challenge in the performance in the industry, that's a bad place to be. We've been in the lower growth, highly efficient business and we've shown that we can create incredible value doing that. We've got other companies that are in the high growth, high cost business. That's been good for a while, there are some challenges coming in there.

The strategic question we asked ourselves was, not – are we going to become a high growth company? I think it's important to say, we haven't lost the thought process about what makes us great. But if we could get another couple of points to grow by leaning into some categories that have a faster inherent growth but yet play to Pinnacle strength.

What would another one or two points of growth do for our P&L? It is absolutely, as I've said before, I used the word "magic", it's incredible, whatever word you want to use, to be able to get another point or two of growth is really a powerful tool for this P&L. So the strategic question that we ask as a board is, why can't we participate in some faster growing categories? Which one should we participate in?

So this is not an acquisition strategy that we're just going to pick up a bunch of small businesses, because they're fast growing and say hey we've got – look at what we've done in health and wellness. I'm just [ph] giving (01:20:28) Gardein as an example, a 100% frozen, plant based nutrition. Opportunities not only to expand production, but also expand distribution of that business. And a real opportunity to take it from sort of natural and organic and mainstream it. And I think this umbrella by the way of mainstreaming health and wellness is really powerful. Because, again, if you take it from a much different levels, you don't have to be rich to eat well is a good mantra not only for our consumers but for our employees to get fired up about, none of that changes and I'll open it up for...

Maria A. Sceppaguercio
*SVP-Investor Relations & Communications*

Q

What about, you want to mention the whole concept about buying Boulder and the fact that it's five brands?

Robert James Gamgort
*Chief Executive Officer & Director*

A

Yeah. So I talked too much already. So Mark and Craig...

Mark L. Schiller
*Executive VP & President-North American Retail*

A

Yeah, I'm very happy to chime in. I think at the end of the day, what it takes to grow a high growth business is not too dissimilar than what it takes to grow a low growth business, you got to manage the costs. You got to find consumer insights and innovation that are going to continue to drive the top line, you got to manage the mix and the margin. So lot of what we're doing, I think, is very applicable. What we have to get better out as a company is the food forward trends and where the cutting edge of health and wellness is. And I think that's why keeping two headquarters and allowing the Boulder Brand to continue to be the thought leaders and applying that to the more mainstream businesses in Parsippany, while the Parsippany businesses can help mainstream the more food forward businesses, the synergies there are tremendous. And as Bob said, there's a lot of distribution expansion opportunities for the food forward business both in terms of penetration and breadth of penetration and we've got a terrific sales force that has that capability.

So it's – really I think our biggest opportunity in moving into this space is retaining what makes these food forward businesses, that culture and that knowledge and keeping a separate headquarter will enable us to do it.

Robert James Gamgort
*Chief Executive Officer & Director*

A

I think at the time of the IPO, and Andrew I remember conversation we had with you guys pre-IPO, there are couple of questions about our business model, because it looks so different to what you saw in the industry at that time. I think one was, I remember the question, how can you possibly operate a company on 9% overhead?

Now it was before the 3G acquisition of Heinz and we were very confident. We said not only was it a cost benefit, it's a cultural benefit and it's a speed benefit and I still believe that. I think the second question that you had is, how can you possibly generate value in categories that are – have so little growth. And we said, we can develop a model that extracts the maximum value out of every little bit of growth that's in there, and then we spent a lot of time defending the world of frozen food. I felt like we were the only voice out there at some point saying, there's nothing wrong with frozen. It's a great preservation method, and it plays to the convenience, feed the consumer. What's wrong is what's in the freezer cage. Then as I pointed out go to Whole Foods, go to Trader Joe's, look at how much freezer capacity there is. Why wouldn't you look at new channels, like drug and convenience, why are they adding freezer capacity? The problem is within there. And I think if you look at where we're today, we've proven 9% is more than doable and a lot of people love trying to get to that level.

I think we've shown. We've hit it out of the park in terms of being able to attract value out of categories that we're in with a ton of upside left in them. I think frozen has now become, dare I say, too popular because people are – we wish some people had given up their frozen businesses faster, when they were all saying bad things about it. I wish that they had sold or spun them off at that point in time.

And I think the next thing we want to prove, is that we can keep that business model and apply it to slightly faster growing categories, and I know just like those were three things that back at – before the IPO everyone said, I don't know if you can do that, and we have. I think this is the same thing. I don't – I don't buy that the growth – to be in categories that grow slightly faster, you also can't be an efficient operator and I think that's the next evolution and it's an evolution of where we go next. And I promise you that from a board standpoint and from a – we can put our feet on the ground in terms of we're not out there saying let's go look at every little thing that says health and wellness and roll it up in our category.

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**Roger K. Deromedi**
*Non-Executive Chairman*
**A**

And I think that's very well said. And I think why they slide – I'm happy it came up here because it really – it really captures what is Pinnacle and it's like we do the basics. We execute the playbook. We're good about taking things and innovating them, and to the evolvement that it is an evolution and it's not like – and board is, obviously as Bob said, we work together on this and think about that, and it is the playbook again, the faster growing category. But I think that last line captures it well. We really have a passion that, yes, America needs more health and wellness.

But it's – in many cases, it's too expensive and it's too hard. And we can help do that. We've got a great brand as Mark talked about in Birds Eye. And you know it's a lot of stuff that we have related to Birds Eye or it leverages Birds Eye. And I think you will see that play forward going as we go and it's – so how do we – so I think it's an evolution, it's not a revolution. And I think if we as a board weren't confident that we had a management team and not – even when Bob leaves, we got management team that can execute it, I think. So nothing is changing on that side. So we are confident in it, Andrew. Thanks.

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**Maria A. Sceppaguercio**
*SVP-Investor Relations & Communications*
**Q**

One in the back, right there. There we have Eric Katzman.

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**Eric Richard Katzman**
*Deutsche Bank Securities, Inc.*
**Q**

Thanks. I guess we'll know that the transition is complete when Bob you've gotten rid of all of your TASSIMO machines and it's Keurig in your household. Right. Actually with regard to the Boulder business, I mean I do think it's important given the acquisition was somewhat controversial among the investor group. And you, by your own definition, you've said it's fairly complex and you got it cheap because there were challenges there. So is there going to be a point person within the organization that's responsible for the overseeing that transition?

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**Robert James Gamgort**
*Chief Executive Officer & Director*
A

Sure. I'm going to turn it over to Craig, he's going to tell you a couple of things. One is, as we get closer to the business, we see – we have a lot of comfort in the attractive elements that we saw from a bit of a distance, so that – where we do really good due diligence. As we get closer to it we continue to be more and more positive about what we see there. And I think that's going to speak to a lot of the evolution part that we talked about.

We've got a great integration playbook that we have used in the past, and what we're using right now. Craig and I are the co-leads of the integration steering team, but it's well staffed with a bunch of people. So I'm going to – I'm turning it over to my partner on the steering team, to give his point of view on kind of where that stands right now, and how that keeps going.

**Craig D. Steeneck**
*Chief Financial Officer & Executive Vice President*
A

Yeah, Eric, we feel like we're off to a really good start on this. As Bob said, we've got a lot of sophistication in integrating acquisitions going back to Birds Eye, Wish-Bone, Gardein. We have a standard playbook that we use, which has got a Lead Steering Committee on it, a PMO, a Project Management Office, that's staffed in this case by senior executive from Boulder and a senior executive from Pinnacle. We have consulting help there, who can help organize it for us. We've got 24 individual taskforce, order to cash, manufacturing, procurement, marketing, IT et cetera, et cetera. That those tasks – those streams are staffed again by Boulder person, Pinnacle person. We meet on a weekly basis to go through progress.

And I think as Bob articulated, we did a good job of due diligence. We believe there was significant upside in that business. Now that we've owned it and we've been into it, we're more confident that that exists. We're happy with the team that's in place, as Mark showed the consumption on the brands is even – is gaining some momentum. So I think we feel better today than we did when we first bought it, and the integration is 100% on course, and I'm going to continue to lead it and drive it.

**Robert James Gamgort**
*Chief Executive Officer & Director*
A

And I will, obviously, I am 100% focused on Pinnacle, [indiscernible] (01:28:36) until I leave and my successor will become part of the steering team at that point in time. But it's really well staffed by highly experienced people. Every time we do an acquisition, we always look at the people that we're going to put in-charge of the different work stream, and we talk about how lucky we are to have people who have such experience in acquisition and integration, because we don't have to give them a lot of direction. We kind of put the mission out there and they just pick it up and start running with, that's exactly what's going on here.

**Maria A. Sceppaguercio**
*SVP-Investor Relations & Communications*
A

Nice to hear.

**Ashish B. Doshi**
*Soroban Capital Partners LP*
Q

Two questions. First one for Roger, one of the questions I had for you coming into the way was whether you'd be willing to step into more of an Executive Chairman type role to the extent the candidate kind of needs that? When I hear you speak about the profile on the quality of the candidates that you're kind of thinking about right now, it seems like that might not be necessary and I just want to confirm that that's accurate?

And then the second question for whoever is most appropriate, you spoke pretty compellingly about the value of health and wellness oriented M&A in the portfolio, and the role that the incremental growth can add to the aggregate P&L. Transformational M&A is going to dilute some of the work that you've done to add the edges of growth to your portfolio, and so does that change how you think about the value of more transformational kind of more down the center to fairway center store M&A [indiscernible] (01:29:57) nature?

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Maria A. Sceppaguercio
*SVP-Investor Relations & Communications*

A

Roger, you want to get started?

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Roger K. Deromedi
*Non-Executive Chairman*

A

[indiscernible] (01:30:00) on the first one. My wish and desire, we will have a new CEO that we all love, and I will help the transition and Bob will be there to help with the transition, whenever that occurs. I think that we have an interim plan that obviously uses my skills and so forth, but I actually feel very good that, I don't think that's going to be necessary. But let me just say, as a Non-Executive Chairman of Pinnacle, it's probably a little bit unique as a Non-Executive Chairman, is that a nice way to put it?

So those who have talked to me in various meetings and so forth, I'm pretty conversant in the business. And just think it's been 10 years since I sat up here on a CAGNY presentation, it feels very homely up here. So I will do whatever it takes, so let's say, we'll leave it at that. I am a significant investor and I will do whatever it takes to make this thing successful.

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Robert James Gamgort
*Chief Executive Officer & Director*

A

Look, and I think one of the advantages here, I said that Roger has been a great partner, he's been a great friend, he's incredible mentor to me to get me to where I am today as well. And I think that's one of the advantages anybody who joins in this role, wherever they are in their career, their development, to be able to partner with Roger, this senior team and that board he talked about, it's a good situation, there's a lot of healthy coaching and development that goes along with that process as well, which...

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Roger K. Deromedi
*Non-Executive Chairman*

A

If you go back to what three years ago, Bob has never been – run a public company..

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Robert James Gamgort
*Chief Executive Officer & Director*

A

Yeah.

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Roger K. Deromedi
*Non-Executive Chairman*

A

And think what's happened in the last three years and so forth and so it's a...

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Robert James Gamgort
*Chief Executive Officer & Director*

A

Sure.

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Maria A. Sceppaguercio
*SVP-Investor Relations & Communications*

Q

And then on the evolution question, do you want to talk about how you think about that?

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Robert James Gamgort
*Chief Executive Officer & Director*

A

Yeah. I mean, let's – why don't you guys want to pick that up.

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Craig D. Steeneck
*Chief Financial Officer & Executive Vice President*

A

Yeah, I'll take it.

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Maria A. Sceppaguercio
*SVP-Investor Relations & Communications*

Q

Okay.

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Craig D. Steeneck
*Chief Financial Officer & Executive Vice President*

A

Ashish the Boulder acquisition was not anything different from our stated strategy on M&A. It was North American focused, looking for number one or number two brands in the category, synergy rich, where we believe there's opportunity to create value through synergies. And quick to be able to integrate them and ensure that we're getting Leadership brands into the portfolio versus Foundation Brands. So any acquisition, whether it's transformative or whether it's tuck-in, is that a value creative and fit that criteria, we're still a 100% interested in and that hasn't changed today versus yesterday.

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Robert James Gamgort
*Chief Executive Officer & Director*

A

And I think it gives the team of a bigger platform upon – for which to generate value through renovation and innovation. The direction of where you need to go in this industry is pretty darn clear. So wherever the starting point, it doesn't scare us off. I think it in fact to a degree the more work that's needed, means there is more value creation that we had as a result of that. If we were private at the time that we did the Birds Eye acquisition, and I remember we made that recommendation and you imagine, I was a new CEO, and Blackstone and Roger had made a big personal investment, going back after for more money to make this acquisition.

And Birds Eye in 2009 did not look like a health and wellness business. It looks like it today, it looked like a commoditized frozen vegetable business where private label was the number one player, and it's a – this thing had a lot of downside risk that this becomes commoditized and so race to the bottom, and what are we going to do with it. We put the acquisition thesis out there, that we could turn it into a health and wellness business and trade people up in value.

It looks – that's one of those great things in hindsight, it looks terrific. But when I go back and I read our acquisition thesis back in 2009, there – we had a lot of explaining to do, as they say, in terms of why we'd want to do this. So I think that's the same kind of thing which is a business that may on the surface look like it needs a lot of work to make it more food forward, to use Mark's term or health and wellness. I think this presents a tremendous opportunity for – to create even more value, and I think we've shown on a lot of businesses that we've been able to do that.

Q

[indiscernible] (01:33:53)

Jane Gelfand
*Monthly Chair & Secretary, Goldman Sachs Asset Management*

Q

Appreciate you guys showcasing the board, and how it's come together over the years and obviously we have a lot of respect for Roger, but I think no one knows the business as kind of inside and out intimately as you Bob. So the question is, is there an opportunity for you to join the board, why and why not?

Robert James Gamgort
*Chief Executive Officer & Director*

A

Yeah. I got you. I'll let Roger talk about, but before I turn over, I'd say is – look I get to be the front person for the company, I would argue that these two guys and some other people back there know this business inside and out as well as I do. And they're living it every day. Mark you joined what, a year, within a year. I was successful in recruiting Mark into a company that was really different than it was today, Mark took a flier on that one. That was a good move for all of us, and Craig's been there. So everybody on that senior team knows this business like, at a level you probably couldn't appreciate, but let's talk about the board part of it...

Roger K. Deromedi
*Non-Executive Chairman*

A

No, actually that the board talked about it, and we were – you want to know, it was one way or the other. It was like, and there was one, you just – we didn't want to put a new CEO in a position, whether it's an internal candidate or an external candidate, that sometimes it's – it can create some tensions and so forth. And we just said, hey, Bob's going to be here to help us. We can always have great transitions, why create a situation that may cause some tensions. And you've seen it work, right, you've seen it work. So we just said, hey, look there's – you sort of take it off the table and move on.

Robert James Gamgort
*Chief Executive Officer & Director*

A

I'd be happy to help anybody who they knew, and I've threatened these guys that I'm going to be sitting out there. [indiscernible] (01:35:30)

Maria A. Sceppaguercio
*SVP-Investor Relations & Communications*

A

So we're not taking your question. John?

John Milton McMillin
*Lord, Abbett & Co. LLC*

Q

My question is to Roger, and you can answer it really just yes or no.

Roger K. Deromedi
*Non-Executive Chairman*

A

I never do that John, you know that.

John Milton McMillin
*Lord, Abbett & Co. LLC*

Q

On this shortlist, is there any current board member?

Roger K. Deromedi
*Non-Executive Chairman*

A

And John, I cannot comment on any specifics on the list. But all that we will say, it's internal or external. But no, I will answer, I cannot answer yes or no for that. So, I will say, I avoided the question, I won't answer.

Robert James Gamgort
*Chief Executive Officer & Director*

A

That was the third option ....

Roger K. Deromedi
*Non-Executive Chairman*

A

That was the third option you gave me, see. Oh my god, I can't tell you that.

John Milton McMillin
*Lord, Abbett & Co. LLC*

Q

You said no?

Roger K. Deromedi
*Non-Executive Chairman*

A

No, but that's an answer the other way.

Trevor Martin
*RS Investments*

Q

Hi, guys. I was just going to ask about the transformational acquisition. To your point, a lot of your peers moved pretty slowly on divesting assets or making transformational changes themselves. So I'm assuming that a lot of discussions with the bigger assets out there have been ongoing for a long time. Have any of those conversations slowed or changed given Boulder and given Bob's transition or are those conversations still ongoing?

Could you handle an acquisition of size in the next few months if it became available? And then, what have you done on the other side of things, if someone tries to take advantage of this dislocation and come and bid for you similar to what happened with Hillshire, in terms of incentivizing your staff not to get distracted by this sort of noise?

Robert James Gamgort
*Chief Executive Officer & Director*

A

Yeah. I'll answer the last one and I'm going to let you guys answer them.

Maria A. Sceppaguercio
*SVP-Investor Relations & Communications*

A

Yeah.

Robert James Gamgort
*Chief Executive Officer & Director*

A

The one thing I would point...

Roger K. Deromedi
*Non-Executive Chairman*

A

Wait, wait, wait. Maria is going to....

Robert James Gamgort
*Chief Executive Officer & Director*

A

[ph] I'm not good at following this. Maria, may I answer them (01:37:19). I think the Hillshire thing is – was a good test. Because if you look at what happened there, we were acquired. People were distraught and the big concern was, what if this thing in the highly unlikely scenario does this thing unravel, are we going to be damaged. And the reality of it is, that's exactly what happened. We ended up with a nice breakup fee, that happened to pay for Gardein, which is I think a good trade for all of our hard work, stress that happened during that.

I think that most importantly that we never missed a beat on performance, and we really didn't lose anybody as a result of that. And so, I think that this is an organization that hears the rumors. And they realize that we control our own destiny. We live in a world in which we have to be shareholder friendly, and we never know, and I don't think after that Hillshire experience, people spend a lot of time worrying about that anymore. But you can talk about the other parts of it.

Roger K. Deromedi
*Non-Executive Chairman*

A

Yeah. No, and I won't get into the specific. But, no, we still have a list of companies that we're talking to, continue to talk to them. Could some of that happen sooner than later, who knows that it could. So we're not against that and lot of times when they're quoting CEO leads, put everything on hold, stop, wait, covered everything settled in and so forth, that's not our mode. This is, we're in to run the business and do the right things for the business and it's sort of reflective a little bit, I made this comment before, how we sort of operate. We are, when Bob told us on Friday evening that he is leaving, and we had this CAGNY sitting here on Thursday, lot of companies would have cancelled CAGNY, bunker down, we don't know what we're doing, oh my god, where we're at. We're not doing that and we did the same thing on M&A.

It's not just because Bob is here, that we think about doing M&A, because it's the right thing to do, we know how to do it, we have a team who can execute it both in terms of deal making side, the integration side of it and then, I won't – I'll let maybe Craig talk about our financial capability, but – and we're looking at things that maybe we can still do within our own affordability, we'll be looking at things that maybe bigger than that.

And then to your last question of the board's willingness to do what's right for value creation for our shareholders, I think, you saw that in the Hillshire deal. Company knocks on our door and says, they want to buy our business and we weren't out trying to sell the business. But in the end, we evaluate it as the compelling opportunity and the board voted to sell the business. In the end it didn't play out, and Bob says what happened? And the employees stay focused, but, so this is, I think, there is nothing different on the board today than it was during that and so forth. Is there anything else?

A

Trevor, I think what's important here is that, every conversation that happens on M&A, whether it's the transformative ones or the smaller tuck-in ones, Bob and I participate and participated in all of those together. So all of those contacts, all of those discussions, I've been actively involved in, Roger is consultant and involved in all of them too. So our three person team relative to our corporate development and looking after M&A is sitting here. We've lost one member of it, but all of those contacts are still there, and are still active. And as I presented before, we're going to look to de-lever very quickly after this Boulder acquisition, and get the leverage down as quickly as possible, and get to a point that we have refresh the balance sheet, and have got dry powder to able to continue the quest.

A

4.25.

**Craig D. Steeneck**
*Chief Financial Officer & Executive Vice President* A

One other comment just around the culture of the company. It's an incredibly resilient group of people, and you would think when someone of Bob's stature and presence announces this kind of a change that it might create some anxiety and chaos in your organization, you'd be amazed that how resilient this group is, how focused they are, while people are sad even in a lean organization, everybody knows what their job is, and what they have to get done and there is focus as ever. So you don't have to worry about the core business being distracted as we go through this change, and I think the Hillshire event kind of demonstrated that.

**Roger K. Deromedi**
*Non-Executive Chairman* A

And Trevor, I just want to add one more thing, and Craig has nice chart showing we buy de-lever; buy de-lever. But sometimes an acquisition it appear, it may not be exactly on your timeframe, and that doesn't mean then you shy away from it, if it's the right thing to do. And again, our board is not afraid to do something as we've said all along, RMD, whatever it maybe, even if it's sooner than our typical, if it's the right thing to do, we will go do it.

**Maria A. Sceppaguercio**
*SVP-Investor Relations & Communications* A

Other question? Is that Ken?

**Kenneth Bryan Zaslow**
*BMO Capital Markets (United States)* Q

Craig, you made a comment that, do you think that there might be upside to the synergy number in 2017? You've only owned it for two months. What have you actually seen and what anecdotal evidence you have that, all of a sudden you're a little bit more confident and you did actually used the word upside to the 2017 synergy?

**Craig D. Steeneck**
*Chief Financial Officer & Executive Vice President* A

Yeah, okay and we said we did a very thorough job of due diligence. So we felt that all along, as we were doing the diligence. As we've now gotten into it, and again, where are the synergies coming from at the Boulder acquisition.

We set about 50-50 split between SG&A with the residual fees being in gross margin. And as we've gotten into the business now, everything in terms of SG&A is real tight. We're working on the integration, feels really comfortable, we're after that, of a high level of confidence on that.

Our view relative to the gross margin fees was a high number of co-packers, 30 to 40 of them being able to get to our combined distribution network, some opportunities we're able to kind of consolidate volume on procurement. I would say our view relative to that, or I think we were cautious when we did, our acquisition model. We're feeling that there is some opportunity there. I mean 2016 is tight, we're not going to get all of those synergies this year, but I think as we look forward to next year that's what gives us a high degree of confidence.

Maria A. Sceppaguercio
*SVP-Investor Relations & Communications*
A

Do we have any more questions? No questions?

Roger K. Deromedi
*Non-Executive Chairman*
A

Come on, Maria.

Maria A. Sceppaguercio
*SVP-Investor Relations & Communications*
A

Okay, well I think...

Robert James Gamgort
*Chief Executive Officer & Director*
A

When you made a sale

Maria A. Sceppaguercio
*SVP-Investor Relations & Communications*

Well, I think that concludes today's presentation. We thank you for your participation, it's been terrific. And have a great afternoon and a nice holiday to those celebrating.