MOI GLOBAL

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BESTIDEAS

Glanbia

Manual of Ideas
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Long-Term / Concentrated / Engaged / Value

Southeastern Asset Management

Disclosure

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Glanbia History - 1.0

Originally an Irish dairy farming co-op, Glanbia has transformed into a global leader in Performance Nutrition and Nutritional Ingredients

- Post WWII Irish Dairy consolidation into Co-Operatives led to Avonmore Foods and Waterford Foods forming in the '60s. The two merged in 1997 forming Glanbia (name change in '99- derived from Gaelic for 'pure food'), a large scale, Irish dairy champion.
- **2000:** Cheese and Dairy Joint Venture model launched with Aug 2000 deal JV with Leprino in the US, the largest global mozzarella producer (Think Domino's and Papa Johns). Subsequent JVs with Southwest Cheese (US), Glanbia Cheese EU.
- **2003:** M&A bolsters existing nutritional capabilities, the start of standalone segment.
- **2008:** Acquired Optimum Nutrition- today the #1 Performance Nutrition Brand in the US. Essentially vertical integration to capture what had been a byproduct, whey.
- **2010-2012:** Glanbia Ireland formed, Irish primary dairy processing assets and original legacy of the business placed in JV with founding Glanbia Co-Op at 60% controlling stake, frees up capital in the plc to pursue investments in value added ingredients and brands. *Co-Op goes from over 50% ownership and control to 39%*

Glanbia History - 2.0

Originally an Irish dairy farming co-op, Glanbia has transformed into a global leader in Performance Nutrition and Nutritional Ingredients

- **Nov 2013:** Legendary boss, John Moloney, retires after a 12-year run at 24.2% share price CAGR
- **2017:** The Big JV formation of Dairy Ireland JV with the Co-Op buying 60% for €112mm, reduces Co-Op ownership of PLC to 33.5%
  - ➢ Subsequent share reductions take the Co-Op to the current ~29% level
- **2018:** SlimFast acquisition - #2 Lifestyle Brand in the US Today. Clear split between Global Performance Nutrition (GPN) and Nutritional Solutions (NS)
- **2019-2020:** Nutritional Solutions bolt-on deals, a step towards the scale, diversity of offerings away from dairy, plus higher quality, to increasingly stand on its own.
- **2020:** The Board of Directors becomes non-Co-Op controlled for the first time with an independent Chair and less than half of directors from the Co-Op. The company launches its first ever share repurchase program.
  - ➢ COVID-19 decimates the high street shutting down specialty outlets, bankrupting GNC, and severely curtailing on-the-go demand.

Glanbia Today

Misunderstood, undervalued opportunity to turnaround GPN, focus on NS growth and M&A potential, with dairy and cheese JVs providing an annuity profit stream

Glanbia Performance Nutrition

~€1.2 billion revenue at low-mid double-digit margins

GPN holds the #1 brand in the coveted US Performance Nutrition space with Optimum Nutrition and, the #2 brand in the Lifestyle space with SlimFast, and the leader in plant-based products, Amazing Grass.

Other brands include : ABB, BSN, Isopure, Nutramino, Think!.

Nutritional Solutions

~€0.8 billion revenue at mid-teens margin potential

NS is a provider of ingredients and nutritional solutions to the food and beverage industry. The majority of profits from Vitamins & Minerals Pre-Mixing with the balance from Specialty Dairy Ingredients, Beverage Flavour solutions and other.

Joint Ventures

Adj ~€2.4 billion revenue, ~€80 million net profit

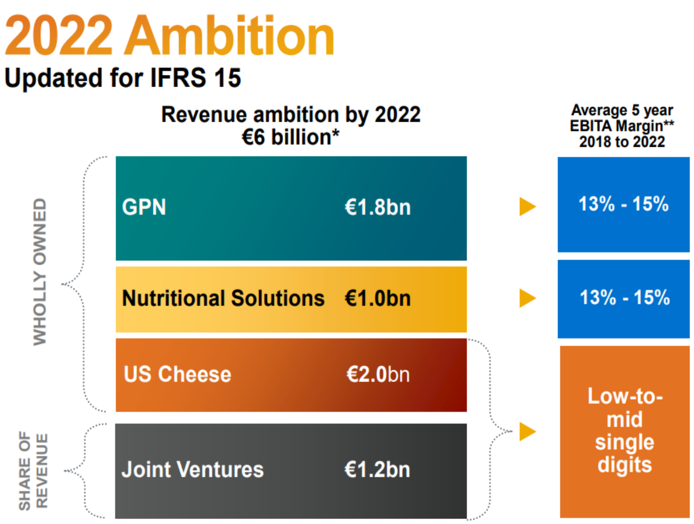
In aggregate an under-recognized ~€80mm in pre-tax profits, much of it below the EBIT line and missed in EBIT and EBITDA estimates. Consists of:

- US Cheese
- Glanbia Ireland
- MWC- Southwest Cheese
- Glanbia Cheese UK
- Glanbia Cheese EU

What Went Wrong (Not a Comprehensive List!)

Badly Missed Targets

- In 2018 projected €6bn in revenue by 2022
- Today, consensus 2022 revenue estimates are €4.1 bn



Source: 2018 Full Year Results Presentation

Accounting Change Complexity

- In 2019 IFRS 15 required the RECONSOLIDATION of US Cheese, a 50/50 JV
- Recognition of 100% of Southwest Cheese sales within Glanbia Nutritionals but only 50% EBIT
- Dilutes accounting margins with no real change to EBITDA or underlying value

IFRS 15 update

Pro-forma impact on 2018 results

€'m

Glanbia Nutritionals	2018 Reported	IFRS 15 impact	2018 Pro-forma
Nutritional Solutions	€527m	€50m	€577m
US Cheese	€680m	€734m	€1,414m
Total Revenue	**€1,207m**	**€784m**	**€1,991m**
EBITA	€112m		€112m
EBITA margins	**9.3%**		**5.6%**

Source: 2018 Full Year Results Presentation

Global Pandemic

COVID-19 disruptions are the nail in the coffin for specialty retailers like GNC while curtailing on-the-go consumption

Resulting in…

Earnings estimates cratered and the share price dropped by over 60% peak to trough

Earnings Estimates vs. Stock Price

Source: Bloomberg

What has Changed?

After a difficult 5 years, damaged credibility, and abysmal stock price performance, why is Glanbia interest today?

- Board and Governance Changes- reputation for sleepy provincialism starting to change?
- Structural Changes-
    - GPN split into Lifestyle & Performance, recognizing the disparate dynamics. New, quality people brought into lead this effort.
    - NS gaining scale and diversification and credibility with organic growth and active bolt-on strategy.
    - First share repurchase ever. Impressive cash generation even in 2020.
- Strong balance sheet providing safety and flexibility.
- Coiled Spring- after a poor several years and a challenging 2020 at least provides easy comps. Costs have been cut, GPN SKUs heavily rationalized, Int'l business cleaned up, channels streamline to focus on e -channel, big box, and grocery= high contribution margin potential for robust earnings surprises.
- Finally- clear valuation mismatch with comps. We believe this will be closed by company performance or, inevitably, strategic actions.

Source: Bloomberg

Comparable Multiples

The gap between peers is wide, but also deceptive - *remember the JVs.*

Comparable Performance Nutrition Companies, NTM Multiples

	EV/EBIT	P/E	EV/EBITDA	EV/Sales
Glanbia PLC	**19.7x/12.9x***	**12.2x**	**12.3x/10.3x***	**0.97x/0.83x***
BellRing Brands	22.6x	32.1x	18.9x	3.69x
Simply Good Foods	20.6x	27.1x	17.9x	3.44x
AVERAGE	*21.6x*	*29.6x*	*18.4x*	*3.60x*

Aspirational Nutritional Solutions Companies, NTM Multiples

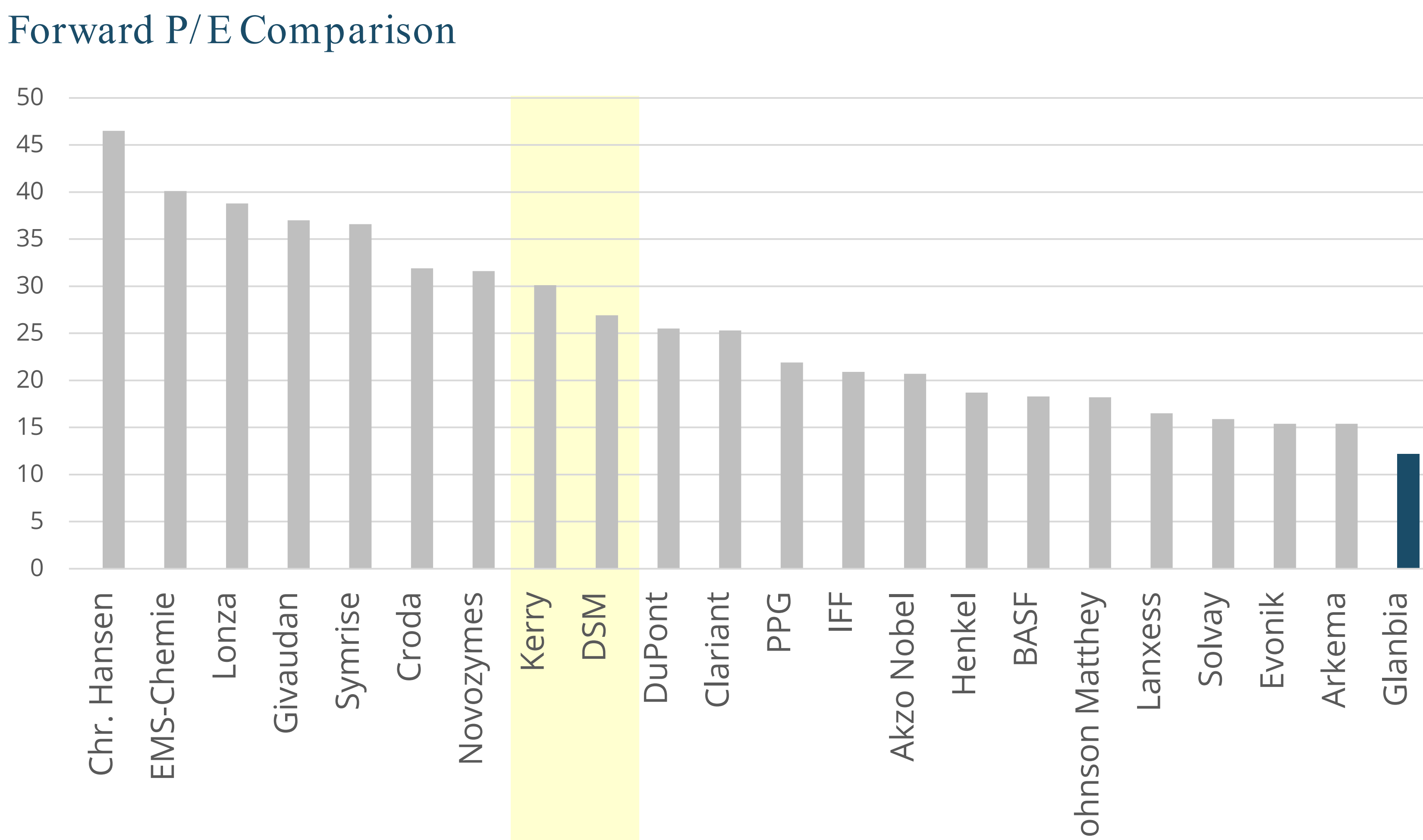
	EV/EBIT	P/E	EV/EBITDA	EV/Sales
DSM	25.1x	26.9x	16.3x	3.17x
Kerry	27.4x	30.1x	21.0x	3.15x
AVERAGE	*26.2x*	*28.5x*	*18.6x*	*3.20x*

Source: Bloomberg estimates as of Jan. 12th 2021

*- first figure is consensus as reported, second includes JV share and Amortization/Impairments for EBIT line, JV Pro Forma for Sales

Nutritional Solutions Universe

NS has the potential to be closer to DSM and Kerry versus its current implied spot at the bottom of the list



Source: Bloomberg estimates, 2021 Price/EPS Adj ratios as of Jan 12th, 2021

What is Glanbia Worth? Where From Today?

It is clearly time to perform, a strong balance sheet, easy comps and slimmed down model means 2021 is the year to deliver on the promise of the company's businesses.

Underlying Value- Earnings Potential

- Governance: for the first time a non -Co-Op board and an independent Chairman
- Capital Allocation: buying back shares for the right reason, renewed discipline around M&A, and healthy dividend
- Sum of the Parts: a simple analysis shows there is plenty of embedded value to be unlocked and significant earnings power growth.

Questions to Ask towards the end of 2021

- Is the "spring" of embedded value successfully uncoiling? If so, do these disparate businesses fit together anymore?
- Can a North American CPG Business be optimized from Kilkenny, Ireland?
- Is Nutritional Solutions received the attention it merits to optimize its future potential and value creation.