

The Senior Executive™

June 2015

If you haven't read the cover article of Forbes in the April, 2015 issue, "Twinkies Miracle Comeback," it's absolutely a must read for us serious business types!

<http://www.forbes.com/sites/stevenbertoni/2015/04/15/twinkie-billion-dollar-comeback-hostess-metropoulos-apollo-jhawar/>

Twinkie, Twinkie, you're a star...

(sung to the tune of "twinkle twinkle little star")



Bringing back Twinkies, Ho Ho's, etc from the dead was a gutsy move. It was executed by a highly experienced and successful turnaround-Icon, and his sons (with 80 turnarounds already under their belts). This one, however, required \$40 million from the principals, \$140 million from private equity giant, Apollo, and half a billion dollars in borrowed capital. All for a bankrupt business that lost over a billion dollars in it's last year of operation. They could be accused of smoking some strong lettuce (or something else green, maybe even their money).

Under the prior Hostess ownership group the stakeholders couldn't find common ground to do "what was best for the business." In the end, Hostess went into a death spiral while their stakeholders continued to disagree. Under new owners and management the company went on one of the most aggressive business resurrections ever!

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Here are a few of the key strategies used to execute the turnaround:

1. The bread business became a separate entity, and was not part of the new group moving forward.
2. Investing in state of the art baking technology dynamically increased productivity and efficiency.
3. Reformulating the product to reach a 65-day shelf life, allowing for warehousing, new distribution, and many more retail outlets.
4. Yes, of course, rightsizing the workforce (which meant rehiring and redesigning based on totally new efficiencies).

The new owners took great risks, but not risks they didn't have the experience and skill to overcome. This last year the bottom line was over \$200 million giving the new owners an equity gain estimated at \$2 billion. Now that the cake business – Twinkies, Ho Ho's etc are alive and healthy, we'll be watching to see how far ownership / management will go to exploit their success.

Too bad Howard Schulz isn't in the mix, he would know exactly how to drive forward the next generation of snack cakes. Hostess cakes might be less health conscious than what might appeal to our Starbucks wizard.

Imagine deep fried Twinkies sold at every fried chicken outlet globally. Mega packaged Twinkies (24-48-96-144 count boxes) for the big box stores, especially Costco - great for parties, picnics, and large gatherings. Special occasion Twinkies for birthdays,

anniversaries, and It's a Boy or It's a Girl, dyed blue and pink, etc., and all ordered through Amazon while qualifying for Amazon Prime. Enter the frozen dessert market with Twinkie Sundaes! We can see a whole lineup of dipping sauce and syrups to enhance your Twinkie experience, with the tagline "How do you eat your Twinkies?"

If you've read the classic "only the paranoid survive," by Andy Grove you know it's possible to become the new management. With new roles, the new enterprise will have a great advantage.

Yes! Re-invent your roles and your enterprise. You can take apart every key component of your business to make sure you haven't bypassed improvements and critical thinking. This is the true test of business success today.

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DeHayes Consulting Group (DCG) was founded in 1983 to provide management consulting services to the financial services industry. Although the focus of the firm has traditionally been on marketing and distribution in the life insurance industry, DCG has completed a broad range of client engagements in the health, property & casualty, banking, mutual fund, and broker-dealer markets.

- DCG is substantially differentiated from other firms in financial services consulting and acquisition services by our focus on developing AND implementing client growth strategies.
- DCG offers creative and practical solutions for clients in strategic repositioning of markets, distribution, and products.
- DCG assists clients in selecting and implementing strategies and programs designed to achieve tangible financial results.

DCG's merger and acquisition support services are specifically designed to meet the needs of acquirers by creating confidential, targeted opportunities, rather than through auctions and other traditional sources of deal flow.

A. James DeHayes, CLU, ChFC
Principal, Chairman, and Chief Executive Officer

Mr. DeHayes is an authority on strategy development and implementation in marketing, distribution, and M&A support for the financial services industry. He has successfully guided clients through the complex process of designing and developing distribution systems tailored for new products, enhancing productivity and profitability of existing distribution, and adjusting legacy distribution to new competitive realities.

DCG has provided strategic and tactical management consulting services to the financial services industry for more than 25 years, completing hundreds of assignments for a wide variety of domestic and international clients. DCG clients cover the full spectrum of financial services ranging from life insurance to the health, property & casualty, and banking sectors.

Prior to founding DCG in 1983, Mr. DeHayes served as Chief Marketing Officer for a major diversified financial services company. As a consultant, his counsel is sought by clients throughout the financial services industry. He is an alumnus of the Harvard Business School Owner President Manager Program, a graduate of Leadership in Professional Services, a Chartered Life Underwriter and Chartered Financial Consultant from the American College, and holds an M.B.A. from the Graziadio School of Business and Management at Pepperdine University.

Mr. DeHayes has addressed numerous industry conferences, is a professional member of the International Insurance Society, is a member of the North American Advisory Board for the UCD Michael Smurfit Graduate Business School (Dublin, Ireland), is co-chair for the Sacramento Chapter of the Harvard Business School Association, and is an officer for the Harvard Business School Association of Northern California (HBSA/NC). He is also a member of the New York Society of Analysts and the World Future Society. In January 2015, he was named as one of the top 100 Irish Americans in business for 2014 in Irish America Magazine for the sixth year in a row.