

Hostess Picks Lead Bidders For Twinkies

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NEW YORK (AP) — Hostess has picked a lead bid for its famous Twinkies.

The bankrupt company said late Wednesday that it has selected a joint offer from two investment firms — Metropoulos & Co. and Apollo Global Management LLC — as the lead bid for its Twinkies and other snack cakes.

Hostess says the two are teaming together on a \$410 million bid for the snack-cake business and five bakeries.

The "stalking horse" bid would set the floor for an auction process that lets competitors make better offers. A judge would have to approve any final sale. In an interview on CNBC Thursday morning, Hostess CEO Greg Rayburn said he expects the auction for the cakes to be "wild and wooly." Twinkies and other cakes could return to shelves during the back-to-school season, he said.

After years of management turmoil and turnover, Hostess declared in November it was going out of business and selling its brands. The company already announced separate lead bidders for its other brands including Drake's cakes and Wonder bread.

The offer sets the stage for the return of Twinkies and other Hostess cakes to supermarket shelves under new management, which could mean stepped up marketing for the spongy yellow cakes with mysterious cream filling. Although supermarkets saw a run on Twinkies when news hit in November that Hostess was going out of business, the company's sales had been declining amid changing tastes and a lack of investment in marketing.

In bankruptcy proceedings, Hostess has stressed that it needs to move quickly in the sale of its brands to capitalize on the outpouring of nostalgia and media coverage prompted by its demise. The longer the cakes and breads are off shelves, the more people will become accustomed to eating cakes and breads by rivals, the company has said.

Still, Hostess cakes generated significant sales to the end. For its final year, Twinkies pulled in about \$76.2 million, according to Hostess. Hostess Donuts brought in \$384.6 million and CupCakes brought in \$138.1 million. The figures exclude sales at Wal-Mart Stores Inc.

Hostess Brands Inc., based in Irving, Texas, has been filing the bids for its brands in stages. Flowers Foods Inc., which makes Tastykakes and a variety of breads, was picked as the lead bidder for six of Hostess' major bread brands, including Wonder.

United States Bakery Inc. was picked as the lead bidder for a number of smaller

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bread brands.

Hostess had been making its second trip through bankruptcy reorganization last year and hired Rayburn as a turnaround expert. Rayburn announced in November that the company would have to shut down after workers at its second biggest union went on strike and the company couldn't reach a deal on a new contract.

The shuttering means the loss of roughly 18,000 jobs in total. Hostess has said the wind down is expected to take about a year, with the company retaining top management during that time to see through the process.

The bakers union said in a statement that it looked forward to working to bring Hostess cakes back to store shelves. The statement noted that it is "engaging with bidders who recognize the value" the union can bring to the ongoing business.

On Monday, the company requested in a bankruptcy filing to stop making payments to its retiree benefits as of Feb. 28. It had already stopped making contributions to employee pensions in August 2011.

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