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GPRE - Green Plains Inc Acquires Fleischmann's Vinegar Company -
M&A Call

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PRESENTATION

Operator

Good day everyone and welcome to the Green Plains investor call. Today's call is being recorded. At this time I would like to turn the call over to Jim Stark. Please go ahead.

Jim Stark - *Green Plains Inc. - VP of IR and Media Relations*

Thanks, Kevin. Good afternoon and welcome to our call this afternoon. Participants on the call today are Todd Becker, President and Chief Executive Officer; Ken Simril, President and CEO of Fleischmann's Vinegar Company; Jerry Peters, our Chief Financial Officer; and Patrick Simpkins, our Chief Development Officer.

We are here to discuss Green Plains acquisition of Fleischmann's Vinegar Company and the company's long-term growth strategy. There is a slide presentation for you to follow along. You can find this presentation on the investor page under the events and presentations link at gpreinc.com.

During this call we will be making forward-looking statements which are predictions, projections or other statements about future events. These statements are based on current expectations and assumptions that are subject to risk and uncertainties. Actual results could materially differ because of factors discussed in the press release issued earlier today and the comments made during this conference call and in the risk factors section of the Form 10-K, Form 10-Q and other reports and filings with the Securities and Exchange Commission.

You may also refer to page 2 of the website presentation for information about factors that could cause different outcomes. We do not undertake any duty to update any forward-looking statement.

Now I would like to turn the call over to Todd Becker.

Todd Becker - *Green Plains Inc. - President and CEO*

Thanks, Jim, and thanks for everybody jumping on the call today with a moment's notice. We are very excited to announce the acquisition of the Fleischmann's Vinegar Company. Fleischmann's is the world's largest manufacturer and marketer of food grade industrial vinegar. Green Plains closed the transaction today October 3, 2016. The purchase price was \$250 million including working capital subject to certain post-closing adjustments.



Ken Simril is on the call as well with us; he is part of the management team and will join Green Plains and continue to run the business as well as other initiatives for the company and we will get more into that later on the call.

We acquired Fleischmann's Vinegar Company on a forward sub 10 times EBITDA multiple before any synergies which we will also get into based on the current forward look. We believe also the acquisition will be immediately accretive to earnings.

It was financed with \$135 million of debt with the balance paid from cash on hand at Green Plains Inc. A group of lenders led by Maranon Capital provided \$130 million term loan and a \$15 million revolving line of credit for this business unit.

So this marks the completion of a very busy month or so. We obviously closed \$170 million convertible debt financing, we upsized the MLP financing as well. We completed the acquisition of the Abengoa three ethanol plants, we dropped down some of the Abengoa ethanol plant distribution assets to Green Plains Partners and finally the acquisition announced today of the Fleischmann's Vinegar Company, all somewhere around \$500 million or so during the last 30 days.

On page 4, what I wanted to give you was a summary of the Fleischmann's Vinegar acquisition. First, we are going to talk a little bit about the strategic rationale and also talk about the value proposition for our shareholders which we believe is very exciting.

First of all on the strategic rationale, we believe this takes advantage of our platform and expertise that we have been building over the last seven or eight years. The one interesting thing about the Fleischmann's Vinegar Company is the primary raw material in vinegar production for this company is food grade ethanol.

It is consistent with our strategy which we talked about moving into adjacencies that leverage our core capabilities between distribution, transportation, logistics, production and risk management. It also broadens our reach into food ingredient markets building our higher-margin production capabilities, adding value to our end products which we have been working on so hard over the last several years.

We have opportunities for ongoing consolidation in a relatively fragmented global vinegar market among other things. And we also believe this supports our expansions into other developing markets off this platform most specifically food, pharma, food preservation and agriculture. I will get into more of that because I think you'll find it interesting and enlightening as we go further into the call.

The value proposition for Green Plains has always been the same, reduce the volatility over the long-term and give our investors a stable and predictable earnings stream. We believe this is just another step in doing that. The vinegar business is a non-cyclical end market which allows the company to maintain stable margins in volatile commodity environments and the history has been very stable over the last 100 years or so.

We believe the platform that we have acquired has above average growth capabilities mainly because of some of the things and the innovations that Ken and his team have done over the last 10 years really focused on on-trend clean-label products, organic non-GMO all natural are just some of the capabilities that Ken will get into later on the call.

The company has a nationwide supplier of concentrated and specialty vinegars with a network that spans across the United States as well as globally for some of their products. And the great thing about the platform is Ken has delivered consistent earnings growth well above the industry average due to the scale and the scope of being the largest producer in the world.

As we go to page 4 or 5, I will start on page 5, and then Ken will jump in and take us through some of the call going from here.

So what we wanted to do was introduce you to the Fleischmann's markets and products because a lot of you may not be familiar with this company. But it was very exciting when we found a company that uses food grade ethanol right out of the back end of an ethanol plant. It provides just specialty ingredient solutions as well as concentrated production capabilities and some of the things that Ken has done over time is really provided specialized ingredient solutions to help forge strong long-term relationships with leading food manufacturers which we have a very large portfolio of customers.

Ken has matched flavors and color profiles which creates long-term and lasting customer relationships while a lot of the recipes continue to be owned at Fleischmann's Vinegar. The great thing about our customers at Fleischmann's is they are very reluctant to switch due to the change in taste profile of their food products and the portfolio has expanded significantly since 2009.

Some of the production capabilities that he has -- Ken has at Fleischmann's and he has developed were the concentrated, acetic acid-base liquid ingredients really that applies to its customers and unique specialty applications beyond food. Because of the location of the platform, much like our own platform we have in our production capabilities, is reduce freight costs and increased storage capacity for customers, a long-term loyal customer base which has provided for a long-term typical higher contribution margin and we provide on-time services to our customers in the food industry.

So what I will do now is turn it over to Ken who is going to take it from here and talk about the next couple of slides and introduce you to what we believe is a very exciting company for Green Plains to acquire.

Ken Simril - *Fleischmann's Vinegar Company, Inc. - President and CEO*

Thank you for the introduction, Todd. It is great to be part of the Green Plains team. Before I begin, I just want to take this opportunity to welcome Fleischmann's Vinegar employees throughout North America listening in on today's call and sharing of course with everyone today another exciting chapter in the rich history of our organization which dates back to 1868.

For more than 140, years we have been meeting the needs of the market place and look forward to our continued legacy as part of the Green Plains platform.

As Todd mentioned, the acquisition of Fleischmann's brings several benefits. Green Plains purchased Fleischmann's because they view us as an ideal food ingredients platform due to our capabilities in product development, innovation and our nationwide manufacturing footprint. As Todd mentioned earlier under the strategic rationale, Fleischmann's provides fresh ingredient solutions that help forge strong long-term relationships with leading food manufacturers.

We view our business as solving customer's problems at the end of the day. We are consultative in nature. If you solve a customer's problem, margins tend to be higher and you experience higher contract renewals.

One area of innovation in addressing customers needs is in the development of concentrated vinegars. We reduced freight costs and then also increased the storage capacity at many of our customers facilities, particularly those that have limited storage space. So aside from this product benefit, Fleischmann's offers the industry's most comprehensive selection of vinegar ingredient products, serving various markets in food, beverage including industrial applications in the agricultural space.

We are forward-looking in our approach and offer on-trend products such as USDA certified all-natural organic products and a growing non-GMO portfolio.

Our base business consists of traditional use including condiments, sauces and dressings to more specialized nonfood cleaning applications.

Moving on to the next slide, it talks a little bit about our product portfolio. As illustrated on this slide, you can see that the extensive suite of products and their associated applications like condiments, sauces and dressings to more specialized antimicrobial and beverage products.

Our product origin begins with food grade ethanol customarily from the Midwest and we ferment this ethanol into vinegar for sale up the value chain for non-GMO organic and other antimicrobial purposes. If you look at the applications portion of slide six, you can see that all of our products are utilized for condiments, sauces and dressings spanning from white distilled vinegar to varietals and the same applies to customer food ingredients. This is our base business, it is our foundation. This business grows at about 2% to 3% per year and is consistent with GDP and population growth.



However, in some applications like the agricultural space, you can see that white distilled vinegar is used to meet the specific applications of this customer group and the same holds true for the antimicrobial market which you can see below off to the left which uses exclusively 300 grain for that product application. And onto beverages to the right-hand side where we make certain varietal products used specifically for the beverage space.

The next slide shows and talks more about our extensive national footprint and of course our competitive advantage. The illustration highlights our breadth of coverage, seven manufacturing facilities provide Fleischmann's with the ability to meet the needs of the marketplace as the world's largest manufacturer of industrial vinegar. Competition is mainly logistical due to high freight costs associated with the transport of vinegar due to the low value to bulk ratio of vinegar because we are basically shipping water and acetic acid. So our service area is about 500 miles.

So what does all this mean in terms of service advantages? Well, we have the ability to serve large and small customers, seamless service throughout North America and we've got one-stop shopping, one customer service contact whether it is one SKU or 50 SKUs across five different customer plants, again, it is one-stop shopping at Fleischmann's is our mantra.

In terms of operational advantages, a large volume of concentrated vinegar production to meet the needs of the industry as Todd alluded to earlier and it is complemented by our technical production expertise as a result of our 100-year manufacturing history. We also benefit from efficiency advantages, broad-based sourcing capabilities of raw materials to meet vinegar product requirements and sophisticated and in-depth knowledge of commodity markets to ensure best pricing for our customers at the end of the day.

We are fairly sophisticated in our approach to managing risk utilizing modern day financial market tools.

Going to the next slide, let's talk a little bit more about our customer base. As we mentioned previously, Fleischmann's has built a reputation for product quality and excellence for nearly 100 years. The company benefits from a customer base comprised of major food industry participants in the retail brand category, private label and the food service sectors. Fleischmann's benefits from what we call built-in diversification among these three different channels. So depending on the economic climate, we will see a mix shift among the three different categories but the total overall volume remains the same.

We have long-standing relationships with the diverse blue-chip customer base of roughly 1000 customers. The average relationship with our top 10 customers exceeds 25 years and some relationships exceed 40 years. There is a high degree of stability in the company's top 10 customer base; if you look at our top 10 customer base say maybe 10, 15 years ago, it would look roughly the same as it does today.

Again, we have a very dedicated and focused R&D team with extensive experience in food, science and agriculture. We have partnered with customers to create unique formulations to support the flavor, color and functional ingredient needs. So innovation is a key tenant of our company philosophy. We solve customer's problems whether it be through the pioneering, development of concentrated vinegars to reduce freight and storage costs, the development of Vinagreen as a bio herbicide in the agricultural space, or meeting the functional ingredient needs of our antimicrobial customers, we as a company understand that solving customer's problems is key to our success.

Now moving forward to page 9 and addressing emerging market trends, we see several interesting opportunities in the vinegar market and because of our partnership with Green Plains the future looks promising. Those opportunities span varietal innovation, antimicrobial applications, health and wellness and of course, agricultural products.

Specifically within the varietal innovation category, we are looking at more and more opportunities to meet customer demand as it relates to specific varietal products such as apple cider vinegar which is growing among all customers.

Antimicrobial applications and health and wellness, these are really kind of combined trends. Consumers are convenience starved if you will. The dual income household, there is not enough time to cook, want ingredients that are found in the cupboard in essence earth to plate companies are experiencing very strong demand in the marketplace. And this is really driven at the end of the day due to increasing health consciousness of consumers wanting organic non-GMO and natural ingredients and also driven by increasing consumer awareness.



Due to the Internet and social media applications, awareness of food quality and safety literally travels at the speed of light to keep everyone informed.

And then lastly, continued focus in education on the benefits of vinegar in the agricultural space is only complemented by Green Plains' knowledge and range of operations.

The next slide gives you just some selected case studies in terms of how we have been able to grow our business and some of the interesting things that we have done in terms of innovation specifically in the meat and the agricultural space. As it relates to antimicrobials in 2006 we worked with an existing customer to help develop an all-natural antimicrobial liquid ingredient for the ready-to-eat meat and poultry market to replace some of the chemical preservatives that were being used to.

Our long-standing relationships and experience working with regulatory agencies resulted in the company's approval as an all-natural product in 2008, 2007, 2008 timeframe. And sales of the company's antimicrobial products have expanded beyond initial customer to several other industry clients.

Further, Fleischmann's concentrated products were reported by the USDA back in 2002 as being a cost-effective bio-herbicide compared to traditional chemical-based herbicides. Fleischmann's received EPA approval for its bio-herbicide product, Vinagreen, after two years of development. Distribution and awareness have increased as consumers seek to buy more foods that are free from harmful pesticides and of course hormones.

Lastly, we have seen our export markets grow. An export distributor approached us to supply concentrated products internationally. We increased our production capacity at our East Coast facility and we are now currently in the process of expanding that export relationship in other regions meeting the needs of the global marketplace.

So going to the next slide, slide 11, I will turn this over to Todd and he will talk more about the long-term strategic vision that remains on track.

Todd Becker - *Green Plains Inc. - President and CEO*

Thanks, Ken. I think you all can see the excitement that we have for this acquisition and if we go back and we think about agricultural products, health and wellness, antimicrobials and varieties that Ken had talked about, we believe our platform will provide a great opportunity to add value to things that Fleischmann's has been doing already, for example, with Vinagreen. Our extensive knowledge of ag markets, with the relationships of some of the largest seed, meat, protein and technology providers globally, we believe we will be able to help grow this segment for Fleischmann's and their ag-focused product especially with our 10,000 producers that we do business with just domestically not considering all that we do around the world.

In addition, on the antimicrobial applications, our relationships again with customers that use this product we also have relationships beyond what Fleischmann's has today and we believe we will add value there as well as some of the relationships we have with some of the other different types of industries that they are involved in. We think we can add a lot of value using our platform as well as using our production down the road.

So what we wanted to do on page 11 is really introduce this to you as an investor and a follower of the company. This has been something that has been in the company's long-term strategy for quite a while. And so we start out on the left side of this page and it really starts off with energy and it goes to the right side of agriculture and the top line is all the things and all the segments that we do business within today.

So supply logistics in fuel and fuel services, if you think about what we have been able to accomplish some of the great things around Green Plains, the first ever MLP that was very focused on just ethanol and blending and distribution and terminal operations and you can see that we are certainly not done in each of those verticals when we want to focus also on our considerable growth in our trucking and our transportation businesses as well as looking at the fuel marketing and blending and value-added refining.

We discussed our natural gas distribution and trading operation where we also have storage around the United States and we are starting to focus on asset and supply management agreements with customers both on the output side as well as the usage side. Our team is doing a lot of work around there and we continue to look for transportation opportunities there.

The middle of the page really highlights what we do every single day. It is our ethanol production segment, 1.5 billion gallons of capacity, one of the largest owners of ethanol production in the world today, really from a standing start in 2006 and 2007, with one or two ethanol plants in Iowa. We now have 17 plants across the country that are going to grind 535 million bushels of corn, produce 1.5 million gallons of ethanol, 350 million pounds of corn oil and over 4.5 million tons of distillery production. So you can see we have a lot of distribution going to a lot of different places.

In addition, we are very focused on our bulk grain storage business, our grain to plant marketing business but we are also very focused on food and food ingredients, protein development, cattle feedlots. We are now selling and converting our vegetable oils that we produce at our ethanol plants in the Midwest, we are sending them to Europe, converting them into food grade corn oil and then distributing them into the North African and Middle East markets now today. And we are considering the potential of bringing that back, that technology back to the United States.

We are very focused also on meal proteins and the customers that we deal with that are also customers of DDGs, and we have also been looking into co-location of soy processing facilities at our ethanol plants as well as we had several parties interested in discussing that with us and we have been down the road looking at those potential opportunities.

Really what we are here today is to talk about the right side of the slide which are our food and food ingredients business and the components that make that up. So as you know today, we are acquiring Fleischmann's Vinegar Company in the food ingredient business.

We believe that there are other opportunities adjacent to our supply chain that we will be able to look at. We also have other feed ingredient opportunities, opportunities around the vegetable oil platform that we have today. When you think about all the vegetable oils that the ethanol industry produces, about 3 billion pounds of corn oil today that if you look at the opportunity of that to provide food products around the world, it is certainly very, very great. And also looking at food additives.

So you can see the green shows what we are doing, the blue shows what we are developing and the dark blue shows what the potential expansions are and we have talked about those; other meat protein businesses, corn and flour milling, value-added processing, midstream and value-added refining are all things that we are looking. But today there really isn't any focus beyond really where we are focused on the light blue and the green.

So our strategic vision remains on track leveraging our core competencies into adjacencies and downstream value-added markets which we have been talking about for years. We want to continue to reduce the cyclical risk of the overall platform but as you know, the earnings power and the cash flow generation of ethanol production is great and in the years where the margins continue to make large moves on the upside, we can generate significant amounts of capital. We have really been able to do that at the lowest cost of production in the industry as we have made almost double the company over the last two or three years.

And so we continue to focus on reducing our beta, reducing volatility, integrating more complementary businesses and giving you a stable cash flow stream that you can predict on a yearly basis.

So again, we focus on page 12 which talks about leveraging our scope and scale for food and feed. We believe there's co-location opportunities, we believe that down the road we will convert some of our production to food grade ethanol to internalize this demand for this type of product that we have purchased the company today. And we are focused on looking out across our platform to see where is the best plant located to provide Ken and his team a very high-quality food grade ethanol product.

We have now acquired industrial B-grade alcohol with the York plant and we are focused on pharmaceuticals, detergents, household cleansers and we are starting to make our first sales out of that plant both on a domestic and global basis. We are focused on vegetable oil production, our protein production with DDGs and what we talked about as potential soy-processing co-location opportunities with partners across our platform.

And then if you look at really where the growth exists in the Fleischmann's platform, you can see all of the different industries that Fleischmann's Vinegar focuses on, whether it is preservative industry, beverage, bread preservatives, the organic vinegar beverage and condiments market, the disinfectants market, both household and industrial, you can see that there are several multibillion dollars worth of opportunities on this platform. And we believe this is just the start of what we are going to be able to accomplish at Green Plains really driven by Ken and the team leading our efforts not just in vinegar but across all food and food ingredients in the platform and in the future.

So to close on page 13, we believe that the vinegar acquisition today, Fleischmann's Vinegar acquisition today, is really has certain highlights that we think are very exciting. They have attractive industry dynamics, Fleischmann's Vinegar has been growing on a yearly basis and really has been out-innovating anybody on a global basis in some of these products that we talked about today. It is a value-added ingredient provider. As Ken mentioned, they provide solutions for lots and lots of customers both domestically and globally with a proven track record of innovation that we talked about and some of the things that are even in the pipeline today.

We have significant scale with the platform which we believe will provide us with a lot of growth opportunities. We have a blue-chip customer base, safe and stable cash flows and predictable which just is another leg of the stool which we have been looking for for several years. It is a recession proof business. Even in the last recession, the business performed very well so it has an interesting profile from that perspective. And we believe there are tangible growth opportunities in the business, not just in vinegar but really across the food ingredient platform that is adjacent to what we do every day in our bigger platform at Green Plains.

So with that, I will open it up for questions and answers. We are very excited about the opportunities that exist today. We are very excited about this acquisition that we have made today. We obviously have a lot of people to thank and a lot of people that worked very hard to get us here and we are very excited about the future of this business. So we will open it up. Jim?

Jim Stark - Green Plains Inc. - VP of IR and Media Relations

Kevin, if you want to open up the lines for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Farha Aslam, Stephens Inc.

Farha Aslam - Stephens Inc. - Analyst

Good afternoon. Congratulations on the transaction. A question, when does it close or has it already closed?

Todd Becker - Green Plains Inc. - President and CEO

Yes, this was a sign, announce and close transaction so we have been working on this transaction for quite a while. We announced in an 8-K during the convertible debt offering that we were doing diligence on a food ingredient company. The transaction is officially closed as of right now.

Farha Aslam - Stephens Inc. - Analyst

Okay. And what is the sales and EBITDA of this business?

Todd Becker - *Green Plains Inc. - President and CEO*

So we are not going to get specific on sales and EBITDA but we will give you a range to work from because of the sensitivity of this business and the competitive nature of the transaction. Sales are somewhere between \$100 million and \$125 million and what we mentioned was we bought the transaction on a forward sub 10 times multiple and so we are going to go from there as a starting point. We will get more specific with you as we get more deep into the acquisition. But at this point that is the only guidance that we are going to give but I think you can get a good understanding from there.

Farha Aslam - *Stephens Inc. - Analyst*

And my final question is on the growth of sales, is that 2% to 3% growth mentioned during the presentation what we should think this business grows on a regular basis?

Todd Becker - *Green Plains Inc. - President and CEO*

I think that was the base business of vinegar but I will let Ken address the longer-term growth opportunities.

Ken Simril - *Fleischmann's Vinegar Company, Inc. - President and CEO*

Yes, you are absolutely right. The base business grows at about 2% to 3% if you [were] to innovate or pursue any growth initiatives. And I think if you look at our growth over say the past 10 years, we have doubled the industry growth rate so we have been in excess of about 6% on a compound annual growth rate over the past 10 years.

So we conservatively project that we will grow always kind of at the population or GDP growth but when you layer in the growth initiatives, the various projects that we are referring to on today's call, we will more than likely exceed that. And so if you use past performance or future performance, we will probably continue to grow at that kind of 5% to 6% of course assuming that we continue to execute on various growth initiatives.

Farha Aslam - *Stephens Inc. - Analyst*

That is helpful. Actually I have one more. Why did this business come up for sale? Is this a carve out? Just some color on why Green Plains was able to get this opportunity.

Todd Becker - *Green Plains Inc. - President and CEO*

I will comment on that. So this was a bit of a reverse inquiry into Stone Canyon which was the seller of the business. It was a business that was acquired about 18 months ago and has grown even since then over the last 18 months. And we have been working with our advisors and had been looking for businesses that were adjacent to what some of the things that we were doing and we were able to go direct through the last six or eight months and work with Stone Canyon on the acquisition and we were able to get to this place.

Farha Aslam - *Stephens Inc. - Analyst*

That is helpful. Thank you.

Operator

(Operator Instructions). Majid Khan, Tourbillon Capital.



Majid Khan - *Tourbillon Capital Partners - Analyst*

Todd, congratulations on the transaction. Are you assuming any debt in the transaction?

Jerry Peters - *Green Plains Inc. - CFO*

This is Jerry. Actually we are paying off the existing debt and as we said in the press release, we put \$130 million term loan in place and then drew \$5 million on a \$15 million revolver. So at close, we have \$135 million of debt and funded the rest of it with cash off the balance sheet.

Majid Khan - *Tourbillon Capital Partners - Analyst*

How levered was the business? Like how much are you paying off?

Jerry Peters - *Green Plains Inc. - CFO*

It was about \$111 million that was paid off at closing.

Majid Khan - *Tourbillon Capital Partners - Analyst*

Got it. And what are the terms on the term loan? What is the duration and cost?

Jerry Peters - *Green Plains Inc. - CFO*

It is a six-year term loan basically with 1% [AM]. It does have an excess cash flow sweep and then the revolver is also a six-year term.

Majid Khan - *Tourbillon Capital Partners - Analyst*

Got it. And you mentioned the multiple pre-synergies. Are there any immediate synergies or is it mostly long-term strategic stuff?

Todd Becker - *Green Plains Inc. - President and CEO*

It is both. We think that on a longer-term strategic opportunity, it is a conversion of some of our production to food grade ethanol and we are certainly in the process of looking across our platform for looking at the best place to do that at the best cost. And so once that happens, then we believe that alone will provide opportunities to increase our overall margin structure at Green Plains.

Also we believe that the opportunity for Ken now to offer his customers a complete suite of solutions on risk management as oftentimes a customer will focus on both corn and fuel grade ethanol as a pricing mechanism, we believe now that we can offer a very long-term pricing mechanism much longer than Fleischmann's would offer in the past. If a customer is looking for multiyear supply agreements at a fixed price, we believe that we can offer that as well?

And then obviously overall, we will look across the platform whether it is transportation, logistics, distribution as well as production. And Ken will also benefit and Fleischmann's will also benefit from the overall Green Plains platform whether we can provide opportunities for that cost savings across any of their operating plants utilizing the platform that exists today at Green Plains.

So we are not going to talk specifics around synergies but we believe they exist and we will be able to reduce this multiple over time both through synergies and the great growth opportunities that lie ahead for Ken and the team.

Majid Khan - *Tourbillon Capital Partners - Analyst*

Got it. Todd, how are you able to offer the customers this more comprehensive risk management suite? Is it because of your ability because you have storage assets or because of your ability to hedge in the forward market or manage your production around it?

Todd Becker - *Green Plains Inc. - President and CEO*

You answered the question. Actually all of the above. Ken, you may want to talk a little bit about some of the customers that focus on some of the things that we do here at Green Plains just to give a quick overview.

Ken Simril - *Fleischmann's Vinegar Company, Inc. - President and CEO*

The offering that we have is when we are out in the market today as a standalone company, we talk to many of our suppliers we can only hedge forward maybe at most 18 months and some of our customers just want to lock in their pricing for more than a 12-month period. So when you go beyond 18 months, hedging costs get higher, cost of vinegar goes up and it is somewhat counter to what they are trying to accomplish.

So one of the benefits here will be that we will be able to go to a customer that says he wants a three-year contract, wants fixed pricing for that. We can go to our parent company and say here is the request again consistent with solving customer's problems. They want a three-year agreement and we want to be able to go to them with a fixed vinegar price that makes sense for them. And so working with our parent company, Green Plains, will allow that to happen and further differentiate us among our competitors in the marketplace.

Majid Khan - *Tourbillon Capital Partners - Analyst*

Got it. Thank you, Ken. Last question. How much food grade ethanol do you guys buy every year?

Todd Becker - *Green Plains Inc. - President and CEO*

We don't typically give that number out. I think in the future we will get a little more detailed about that but at this point, we don't give out specific volumes.

Majid Khan - *Tourbillon Capital Partners - Analyst*

That was a very quick jump in there. Thank you, guys. Congratulations again.

Operator

Jeffrey Schnell, Jefferies.

Jeffrey Schnell - *Jefferies LLC - Analyst*

(inaudible) The vinegar market is very fragmented. Can you shed some light on the market structure and also potential CapEx needs for distribution or production needs there at Fleischmann's or Green Plains, give some of the longer-term synergies you mentioned?

Todd Becker - *Green Plains Inc. - President and CEO*

I will let Ken talk first about the fragmented and I will come back and talk about the market opportunities and I will come back and talk a little bit about the CapEx opportunity.

Ken Simril - *Fleischmann's Vinegar Company, Inc. - President and CEO*

Yes, so in terms of it being a fragmented market in all markets we could talk about the US and the European market, there are several -- there are two national players in the US market and what I mean by national players, meaning players that have plants in more than one state that can meet the needs of multinationals. And then there are also kind of a host of family-owned regional companies that also compete in the marketplace.

And so we are able to kind of separate ourselves from that by offering the redundancy to our customers so that there is no interruption in their service. When we look at kind of the opportunities for further kind of consolidation, most of the opportunities exist among those regional family-owned businesses. Some of these businesses have been around since the early 1900s, some have been around since maybe the 50s or the 60s.

But we look at those opportunities, we have been able to capitalize on some of those opportunities when we have changes in the family dynamic. So whether there would be a divorce or sickness, we know all the principals and when time comes for them to sell, they give us a call and we are able to quickly transact an evaluation that make sense for the family and makes sense for the company. So we were able to pull off one of the transactions back in December of 2010 with a regional company in Texas.

In Europe, we have the same opportunity, there are several family-owned businesses that operate within the respective countries in the EU. They all have the same dynamics that we have here in the US in terms of family issues and succession planning and things of that sort. And there are several opportunities that we are currently pursuing actually too that we are currently pursuing in Europe that are regional businesses that have the same profile as Fleischmann's meaning that they have the same customer base but just in different parts of the world.

Todd Becker - *Green Plains Inc. - President and CEO*

And then in terms of the CapEx opportunity, what we look at is we believe that no more than about \$20 million is needed not just to supply Fleischmann's but also to supply other opportunities around B-grade ethanol, industrials, pharma, those type of things where we think that it is no more than about a \$20 million spend over the next couple of years. And from that \$20 million, we think the return threshold is very quick against that capital.

So that is what we will focus on to start with and we are already starting to do preliminary engineering and we will make the determination on the go-forward in the next couple of months.

Jeffrey Schnell - *Jefferies LLC - Analyst*

Great. Thanks very much and congratulations.

Operator

Edward Westlake, Credit Suisse.

Edward Westlake - *Credit Suisse - Analyst*

Good afternoon. Edward Westlake. Looking forward to meeting everyone and congratulations. The revenue synergies we've talked a little bit about, are there opportunities perhaps for step changes in margins and/or revenue growth in sort of the base business given things like Vinagreen that you have mentioned new applications for acetic acid vinegars?

Todd Becker - *Green Plains Inc. - President and CEO*

So I will start and let Ken finish this one. We are very excited about the other opportunities and that is what also led us to this acquisition that are just really starting out. And the first one that we like to talk about is the Vinagreen opportunity. As the world continues to look for more clean labels food, more bio-herbicides, there are not very many out there that are approved and ready to go and we believe that the acquisition of Fleischmann's Vinegar and the Vinagreen opportunity is just in its infancy. And we are just really starting out and we believe with our ability to source from 10,000+ farmers and really look across the agricultural supply chain not just domestically but globally, we think this is a great opportunity over the long-term to take advantage of something that is really just in its infancy.

That was in our acquisition dynamics when we were looking at the business as well as the antimicrobials and other things that Ken and his team are working on. So when we look who we do business with today, you would be surprised to see some of the overlap of food and feed customers both domestically and globally. So when we looked at our platform, who we are selling things not just in the United States to but also around the world to, people that buy our products whether it is our corn oils, our veg oils, our distillery grains would also have an interest potentially into looking at other things that Ken is doing with the platform.

So I think that is part of when we look at beyond 2% to 3% growth in our requisition models, we think that exists along with just the normal things that the Fleischmann's team is working on. Ken?

Edward Westlake - *Credit Suisse - Analyst*

And that's a margin or a revenue opportunity or both?

Todd Becker - *Green Plains Inc. - President and CEO*

It is both actually. Ken, do want to comment on that?

Ken Simril - *Fleischmann's Vinegar Company, Inc. - President and CEO*

Yes, I think it is certainly both. I think one of the conversations that we had with Green Plains early on as related to the agricultural space is that our salesforce has obviously historically centered around food manufacturing for human consumption. And our sales guys just aren't well versed in the agricultural markets, distributors, things of that sort. I think one of the synergies that jumped out to me initially as well was that we could really benefit from ag salespeople, ag experience, ag knowledge because we think our products have again applications in the space whether it be a bio-feed or a bio-herbicide.

And so one of the key benefits is being able to leverage their relationships, their distribution and knowledge of the market and really help us promote our products in the marketplace where we really don't have a lot of day-to-day experience and knowledge. So as you pointed out, we would expect opportunities both on the revenue side and on the margin side.

Edward Westlake - *Credit Suisse - Analyst*

If I could sneak one other one in, Todd, you have had a very successful career of (inaudible) as obviously well running assets and debottlenecking. This fragmented market seems like it is one where you could buy as well as build. Maybe some color in terms of how you will meet the long-term growth of these opportunities?

Todd Becker - *Green Plains Inc. - President and CEO*

We think de-bottlenecking for us that we have been able to accomplish along our base platform is very different than I think Ken's platform. Ken has been consistently debottlenecking his platform and making it better, making it more efficient, changing out vessels that might be 50 years old and going more to stainless steel. So a lot of what -- and being owned by private equity often has driven those decision-making processes that happen. So that is why we got along so well when we talked about the businesses, all that we do in an ethanol plant is very similar to all that Fleischmann's has been doing in their vinegar plants.

And you would be very surprised that when you stand in the front end of a Fleischmann's Vinegar plant, a truckload of ethanol shows up and 34 to 40 hours later, vinegar is made and being shipped out. So it was a bit of an epiphany when we were standing there in Chicago watching that happen.

So we also though when we look at our business, we think that in a broader ingredient business and with our distribution and the capabilities we have both around veg oils and animal feeds and now into human food as well, we think that Ken will be a great leader added to our senior management team at Green Plains driving the strategy on the right side of that page that we had shown you. And we think there are a lot of opportunities for growth and it is just another -- finally that other leg of the stool that we have been working on for several years and this was one of the best opportunities we have seen.

Edward Westlake - *Credit Suisse - Analyst*

Thank you.

Operator

Craig Irwin, ROTH Capital Partners.

Unidentified Participant

This is actually Matt on behalf of Craig. First of all, just want to say congrats on the transaction. Most have been asked and answered but I just was hoping to get a little more clarity along the lines of the split of the business between branded, private label and the food service channel and also the growth profile for each if at all possible.

Todd Becker - *Green Plains Inc. - President and CEO*

Ken, do want to address that because I think just so we can get the market a really quick understanding of our branded business which is really not where we are focused on. So go ahead, Ken.

Ken Simril - *Fleischmann's Vinegar Company, Inc. - President and CEO*

Sure, no problem. I think if you look at kind of the segmentation of the different markets you will have kind of the retail brand category representing about 45% of our sales or of our customers if you will in terms of where vinegar ultimately ends up. You've got the food service channel which represents about 38% of those sales;

private label is about 10% of our sales. And then you've kind of got distributors and bottlers which round out the remaining 7%.

Then when you look at kind of the growth profile, it kind of depends on what kind of economic cycle that you are in. We spoke earlier about being recession resistant and it is one thing to actually talk about it and it is one thing to actually live it. And so when going through the most recent downturn, it was very interesting to see kind of retail branded sales fall off and private label sales increase. But those two categories were an offset if you will to the food service channel. So obviously during the most recent recession, people had less discretionary income therefore weren't eating out as much at restaurants and so we saw food service sales decline but then we saw retail brand and private label increase. But private label obviously outpaced the retail branded products as people were becoming just more cost-conscious.

But I think when you combine all of those together in a normal environment, our business again traditionally kind of grows at about the 2% to 3% growth rate. And then why we are able to exceed that growth rate is really because of some of the new applications and opportunities that we see in the marketplace whether they be antimicrobials in terms of finding new uses of vinegar outside of food, traditional food products, both condiments, sauces and dressings, again new uses for vinegar as it relates to Vinagreen, bio-herbicides and bio-feeds.

And then also the export market. We are opening up new markets in different parts of the world. As the rest of the world comes online in terms of growing middle-class, they want the same things that we want here in the US in terms of clean water, good food, and healthy food. And so we are seeing many of our customers export their product to this growing middle-class throughout the globe and they all want US-based products and we are there to meet those needs.

So those are the elements that are really on top of our base business of 2% to 3% that really foster that growth in excess of 2% to 3% for more something like 5% to

6% in terms of what we have done over the past 10 years.

Todd Becker - *Green Plains Inc. - President and CEO*

I think to close out that discussion real quick is that we do not have a retail brand that we have acquired though. Fleischmann's Vinegar is a wholesale and industrial vinegar producer. There is a retail brand that exists, but we don't own that brand, we don't own that on the store shelf. So we are just a supplier to food companies.

Unidentified Participant

Great, thank you very much, guys. Congratulations.

Operator

That concludes our Q&A session today. I would like to turn the conference back to Todd Becker for any additional or closing comments.

Todd Becker - *Green Plains Inc. - President and CEO*

Thanks everybody for coming on the call today. Obviously another big step for Green Plains. We have continued to grow the business, continue to focus on all parts of the platform, whether it is an acquisition of an ethanol plant, whether it is a drop-down into our Green Plains partners'

platform as well at the MLP or another first with the acquisition of Fleischmann's Vinegar, we are very excited about the opportunities that exist to continue to grow our food ingredient business.

Obviously a big day for us. We want to thank all of the Green Plains employees that helped us get here with the transaction but also welcome all the Fleischmann's Vinegar employees to the Green Plains family and we are very excited to have everybody on board. Thanks for getting on the call today and thanks for your continued support and we will talk to you soon.

Operator

Ladies and gentlemen, this does conclude today's conference. Thank you for your participation.

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