CLEARWAY CAPITAL

Glanbia Plc
Attn: Donard Gaynor, Chairman
Glanbia House
Ring Road
R95 E866
Kilkenny, Ireland

Frankfurt am Main – April 19, 2022

SUBJECT: Charting a Path Forward for Glanbia Plc

Dear Mr. Gaynor and Members of the Board of Directors,

As you are aware, funds advised by Clearway Capital GmbH ("Clearway", "us" or "we") have acquired shares in Glanbia Plc (the "Company" or "you"). We write to you following numerous conversations with your executive team, key shareholders, and other important stakeholders to express our views on the status quo of the Company and to outline a roadmap that, we believe, will drive significant value creation for your shareholders while simultaneously improving your environmental footprint.

Our investment in Glanbia is underpinned by the following beliefs:

- **Glanbia's Shares are deeply undervalued:** we believe that Glanbia's current share price does not reflect the underlying value of its owned businesses and assets. We furthermore believe that we have identified a *clear way* to close the valuation gap and drive a **>100% share price improvement**.

- **Glanbia has the opportunity to make an impact:** given Glanbia's position as one of the largest purchasers of milk in the United States, we believe that the Company is in a prime position to work with its suppliers to help them reduce emissions. There is also substantial work to be done on the Company's packaging in its consumer facing brands.

- **The Company has untapped improvement potential:** the Company's execution in Performance Nutrition has been sub-optimal over the past years and its capital allocation has had limited benefits for the business and for its shareholders.

Our investment comes after months of diligence and analysis conducted with the help of leading industry experts, including experts in the fields of sustainable packaging and sustainable dairy production. We have furthermore engaged with a multitude of your customers, suppliers and JV partners who have helped us develop our views.

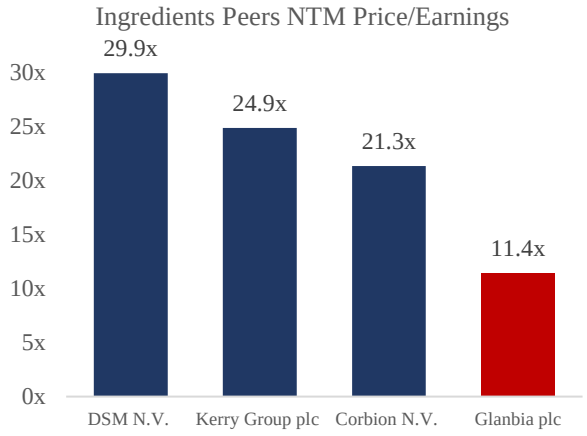
Clearway has identified several issues and solutions and the purpose of this letter is to spark a debate on these topics among the Company's directors, whom we trust will take immediate action.

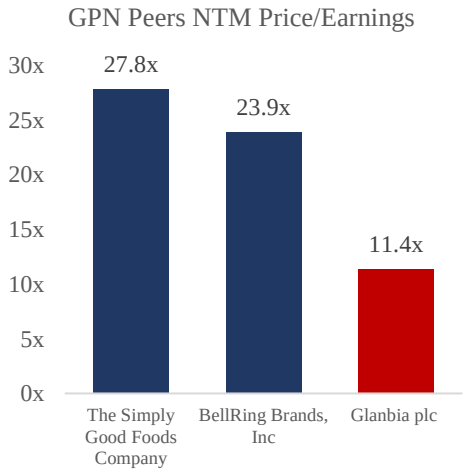
The Case for taking Action: A Breakdown of Glanbia's Issues

We believe that Glanbia Plc should be trading at **over €21.08 per share**, but the market continuously prices the Company at a substantial discount to its fair value – and for good reason: execution in Glanbia Performance Nutrition ("GPN") has been sub-optimal, frequent profit warnings combined with a confusing corporate structure and questionable capital allocation complicate the equity story and overarching sustainability concerns pose significant challenges to the Company's long-term viability.

Nonetheless, we are optimistic about Glanbia's potential given the strength of the brands and the quality of the assets that the Company owns. However, to preserve the value that has been created over the years and further enhance it over the long term, we believe that the board must act swiftly and decisively.

Glanbia **currently trades at ~55% discount** to its closest peers despite owning assets and brands which in our view are of superior quality to those of many direct competitors.





Source: CapitalIQ, data as of April 12, 2022, based on Consensus Estimates

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Shareholders have paid a hefty price: since current management took over the Company has underperformed its **entire** peer group and benchmark by a substantial margin on multiple timeframes.

Cumulative Total Shareholder Return (Absolute)	Year to Date	1 Year	3 Year	5 Year	12-Nov-13
bellring brands	-11.0%	4.8%	53.9%	N/A	N/A
Simply Good Foods	-1.8%	25.2%	83.4%	264.2%	N/A
DSM	-19.1%	9.3%	67.3%	172.2%	238.3%
KERRY	-8.5%	-5.3%	7.5%	39.7%	134.9%
Corbion	-10.5%	-33.7%	19.6%	34.3%	133.8%
MSCI World	-8.0%	2.2%	37.7%	61.3%	85.6%
Stoxx 600 Europe Food&Beverage	-4.9%	10.8%	13.9%	29.3%	67.0%
GPN Peer Group	-6.4%	15.0%	68.6%	N/A	N/A
Ingredients Peers	-10.5%	-5.3%	19.6%	39.7%	134.9%
Glanbia PLC	-15.3%	-19.3%	-36.8%	-38.3%	10.3%
Glanbia's Cumulative Total Return relative to:					
MSCI World	-7.3%	-21.6%	-74.5%	-99.6%	-75.3%
Stoxx 600 Europe Food&Beverage	-10.4%	-30.1%	-50.8%	-67.6%	-56.7%
GPN Peer Group	-8.9%	-34.3%	-105.5%	N/A	N/A
Ingredients Peers	-4.8%	-14.0%	-56.5%	-78.0%	-124.6%

Source: CapitalIQ, data as of 12 April 2022

We believe that the core issues Glanbia faces can be rounded up into three main categories:

1. **Execution in GPN**
2. **Glanbia's Equity Story**
3. **Sustainability Concerns**

Following an in-depth analysis of each issue, we have reached the Conclusion that it is in the best interest of the Company, its shareholders – especially Glanbia Cooperative Society ("the Society") - and other key stakeholders that the board **immediately begin work to separate GPN into an independent, stand-alone company with a dual listing in the United States and Ireland, while simultaneously streamlining the Company's European cheese joint ventures.**

The outcome of our proposed actions, we estimate, would **immediately unlock over €10.88 in additional value per share** and put the Company in the position to deliver long-term value for its shareholders by allowing each single business to focus on addressing the challenges they are currently

facing which include improving execution in GPN, freeing up capital to invest in and grow Nutritional Solutions ("NS") and work to address overarching sustainability concerns related to dairy production.

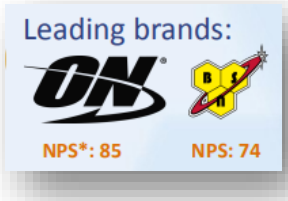
GPN Needs Revamping

GPN's performance over the past years has been disappointing. The Company's primary brand Optimum Nutrition ("ON") has suffered multiple setbacks leading to market share losses in the United States and continued struggles in Europe. In addition, recent developments at SlimFast lead us to believe that the brand – for which Glanbia paid $350 million in 2018 – is at risk of permanent impairment.

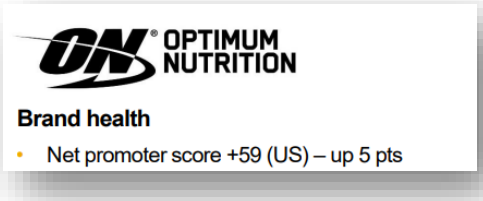
Focusing on ON's underperformance

At Glanbia's 2013 Investor Day, the Company clearly outlined how a "next generation of consumers" would be driving growth and emphasized the importance of catering to *"lifestyle"* consumers. Almost a decade later, the market has evolved just as Glanbia predicted with lifestyle consumers accounting for a significant portion of market growth. Unfortunately, ON has not fully captured this opportunity due to a number of factors including a general lack of customer engagement, missed opportunities in the ready to drink ("RTD") market, poor execution on direct-to-consumer sales, the lack of incorporation of sustainability into brand messaging and other shortcomings. We believe that these are symptoms of a larger issue: **GPN has lost touch with its customer base**.

As evidence of this, the Company occasionally reports ON's Net Promoter Score ("NPS"). In its 2020 Annual Report presentation, Glanbia cheerfully states that "*OPTIMUM NUTRITION™ enjoys strong brand loyalty from its users and saw its Net Promotor Score rise by 5 points to +59"*. Going back through older company presentations, however, we point out that the NPS has fallen from 85pts (as reported in 2015) to the current level of 59pts.



Source: Glanbia PLC 2015 CAGE Conference Presentation

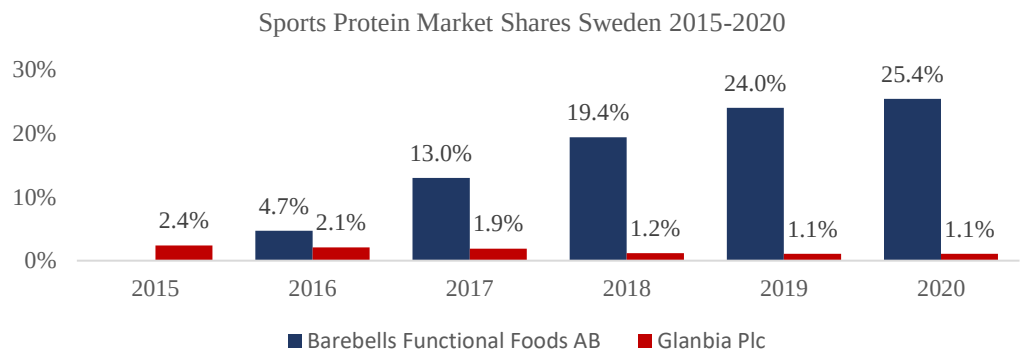


Source: Glanbia PLC 2021 FY Results Presentation

We question whether this decline is indicative of brand deterioration and believe that ON's ability to adapt to an evolving consumer is paramount to the brand's long-term success. While we recognize that this is currently top of mind for management, we believe that the brand's ability to adapt is hindered by the current corporate structure. **GPN requires the flexibility and incentive structure that would only be possible as a fully independent and separate business.**

Below we outline some of the issues we have identified:

- Lack of Sustainability focused messaging: our analysis on the development of the market over the past three years has shown evidence of sustainability-focused newcomers taking market share from legacy brands in multiple jurisdictions. The most prominent example can be found in Sweden as illustrated below:



Source: Euromonitor

Given the overlap between consumer groups who seek a "*sustainable lifestyle"* and those seeking a "*healthy lifestyle"* (the latter of whom comprise ON's target market), it is not surprising that brands with a strong sustainability ethos are capturing a disproportionate amount of market growth. We believe that there is a clear opportunity for ON to reposition its branding and packaging.

When comparing the packaging of incumbents with that of newcomers, we see a clear distinction between the two:

Incumbent Brands' Packaging

Source: Clearway Capital

Newcomer Brands' Packaging

Source: Clearway Capital

On multiple occasions we have spoken with the Company's management about the packaging of ON's flagship product, the Gold Standard Whey to understand the rationale for continuing to sell it in large plastic tubs. The answers we received were along the lines of "our customers like it because it stacks well". We suspect that this represents the narrow-sighted opinions of certain specialty retailers who typically do not cater to lifestyle consumers, further supporting our view that the brand is out of touch with its core customer base.

We challenge the Company to justify the continuation of a form of packaging that is 1) more costly, 2) wasteful, 3) not sustainable.

In our previous communications with management, we have strongly urged the Company to seek alternative forms of packaging. To illustrate our point, we have purchased a 5lb tub of Optimum Gold Standard Whey and measured its contents.

Source: Clearway Capital

Source: Clearway Capital

We found that each tub and its contents (including the plastic scooper) weighs 267g. We also found that there are 9cm of *slack fill* between the seal of the tub and the powder inside.

We believe the plastic tubs to be excessively wasteful: the empty space adds volume and increases costs. We understand that your U.S. customer Costco has requested soft packaging due to cost savings and that at least one other large U.S. retailer has done the same. We question why this is not being implemented globally for all customers?

On top of the direct cost savings, we believe the biggest benefit of doing away with the plastic tubs is in ON's brand messaging: as outlined above, to address lifestyle consumers we believe that the Company must address sustainability in its messaging, and packaging is the place to start. Plastic tubs are remnant of an era when protein supplements were sold to bodybuilders and needed to convey the message that "bigger is better". We do not believe that this is the message that ON should be conveying today.

Glanbia mentions the word "sustainability" 90 times in its 2021 annual report, however *we were not able to find one single mention of the word on any of the Performance Nutrition brands' websites*. We believe that this is a missed opportunity for the brand.

Glanbia furthermore has a unique opportunity to drive real impact on the environment: we estimate that shifting away from the plastic tubs alone in ON can lead to **a reduction of 3 to 4 million tons of plastic annually.** By embracing sustainability not only as a PLC, but also within the brands, we believe that the Company has the ability to drive meaningful environmental impact.

- <u>Incomplete RTD Offering:</u> Pre-COVID, Glanbia had been struggling with low market shares in Ready to Drink ("RTD"). In 2020 the Company had a meager 1.8% market share.

Given the superior growth estimates for RTD protein shakes vs. powdered proteins, we believe that the lack of a consistent RTD offering highlights the broader issues within GPN.

GPN's current portfolio does well at covering the niche of bodybuilding-specific products such as the ABB Pure Pro 50 (which has the protein equivalent of a medium sized steak), and we are pleased to see the progress that is being made in energy supplements (specifically Amino Energy), however ON has fallen behind the market in RTD shakes, a category which could be one of its biggest sources of growth, especially as consumers return to the office and consume *on the go.*

Optimum's RTD shake – the Optimum High Protein Shake – has had limited success. We have benchmarked the pricing of the product in the U.S. against market leaders, Premier Protein and Muscle Milk in Walmart, Costco and Amazon and have found it to be on average 73% more expensive despite providing similar protein intake. ON's insistence on producing a premium product at a higher price point is another example of the brand's detachment from its core customer base of lifestyle consumers who represent the bulk of the RTD market. This makes ON's disappointing performance in RTD unsurprising and predictable.

We believe that ON is missing a unique opportunity to leverage its brand in the United States as a platform to introduce new product lines and re-capture market share by offering competitively priced RTD shakes. We question whether a nimble and streamlined corporate structure would have allowed ON to capture the RTD growth of the past years.

GPN's DTC execution is underwhelming

Europe is an interesting growth market for GPN, but unlike the U.S. where the Company has the luxury of falling back on the strength of its flagship brands, in Europe direct-to-consumer execution is paramount, and Glanbia has been failing.

We are very concerned by numerous issues that we have uncovered relating Glanbia's online strategy including the back-end integration of Glanbia's online shops, lack of social media engagement and the overall strategy around Body&Fit.

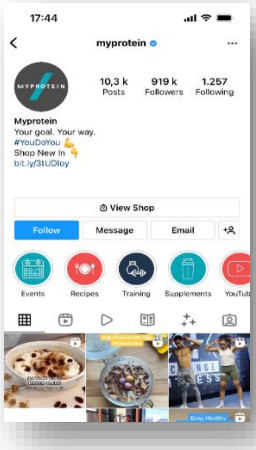
1. Integration of Online Shops: despite the Company's efforts to use Body&Fit as a platform for its single brands' online shops, we question the strategy of applying different prices to the same product on different websites. For example, we have found examples of Bodyandfit.com selling Optimum Gold Standard Whey at a substantial discount to the Optimumnutrition.com website.

   As ON builds its online presence directing traffic towards the ON website to improve customer engagement and DTC sales, **we do not believe that having one of the most expensive offerings of any online retailer is a very sensible strategy.**

2. ON's Social Media Engagement: we have reviewed ON's social media presence and have found a substantial lack of engagement. ON's and Body&Fit's Instagram pages, for example do not link to their websites/shops decreasing monetization potential.

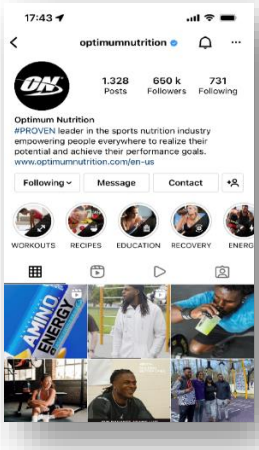
Furthermore, we have benchmarked ON and Body&Fit against the European market leader, MyProtein, and have found a significant gap on all main KPIs. This also holds true for Slimfast's social engagement.

MyProtein



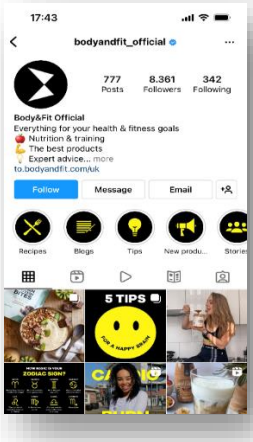
10k + posts
919k followers
1% Engagement Rate
Online Shop Button

Optimum Nutrition



1.3k posts
650k followers
~ 0.2% Engagement Rate
No link to online shop

Body & Fit



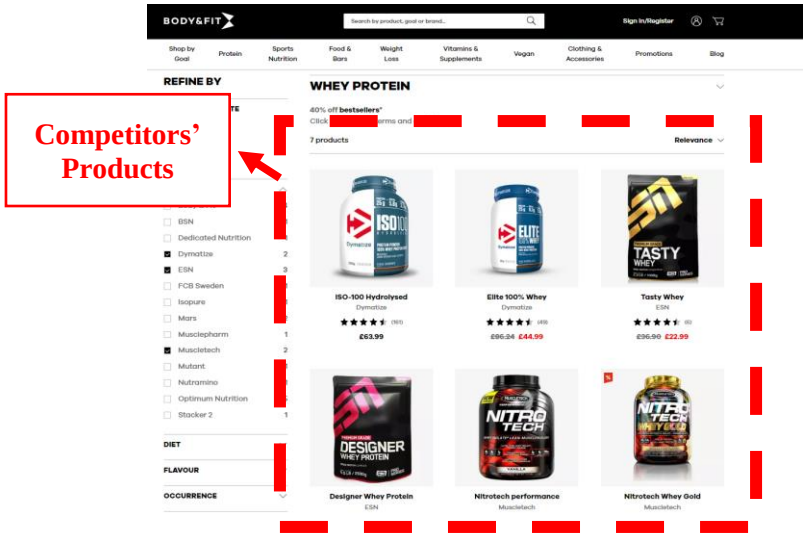
< 1k posts
~8.3k followers
~0.26 Engagement Rate
No link to online shop

Source: Instagram, Analisa.io

3. <u>Body&Fit Strategy</u>: we understand that Body&Fit underpins the Company's digital strategy, however we find little information (if any) around its KPIs. We were not able to find any mention of key terms that should be native to web-based retailers (such as *customer acquisition costs, customer lifetime value*, etc.) in any of Glanbia's public documents.

   Furthermore, we question the Company's strategy behind Body&Fit: has the Company decided to develop a technology stack internally to improve DTC execution across GPN's brands or has the Company set out to create a technology platform as a new business?

   If the former, then why is Body&Fit selling products of competitors (as shown below)? If the latter, we question why it is in the interest of a CPG business to set out on a new technology venture?



Source: Bodyandfit.com

The issues we have uncovered with Glanbia's online strategy are, in our view, indicative of a lack of focus on execution. Conscious that DTC in Europe represents a fraction of the Company's overall revenue, looking back we wonder how such obvious issues could have been overlooked and question if management sits too far removed from the intricacies of day-to-day operations to appreciate how such issues could impact the overall strategy of GPN in Europe. **This is further evidence that GPN would be better equipped to improve its performance as an independent, stand-alone company.**

Slimfast's performance indicate broader issues in the brand

Slimfast's weak performance has largely been blamed on COVID. While COVID certainly accounts for a portion of the issue, we believe the Company's messaging to the market does not convey a full picture. A benchmarking exercise of Slimfast's performance against its closest peer Atkins suggests that the poor performance of the brand is indicative of a much broader and worrisome issue: the diet category no longer reflects today's customer preferences, and the brand has failed to evolve its messaging and product portfolio accordingly.

Slimfast Growth Vs Atkins*	YoY Growth%
Atkins Q2 2021	**-5.2%**
Atkins Q3 2021	**15.6%**
Atkins Q4 2021	**8.7%**
Atkins Q1 2022	**7.7%**
Atkins Q2 2022	**6.4%**
Slimfast U.S. (FY 2021 consumption)	**-4.3%**

Source: The Simply Good Foods Company 10-Q, Glanbia Plc FY2021 Results Presentation.
**Note: The Simply Good Foods Company's Fiscal Year ends in August*

We believe that the Company must work to shift Slimfast's brand messaging and product portfolio away from *dieting* and towards a *healthy lifestyle.*

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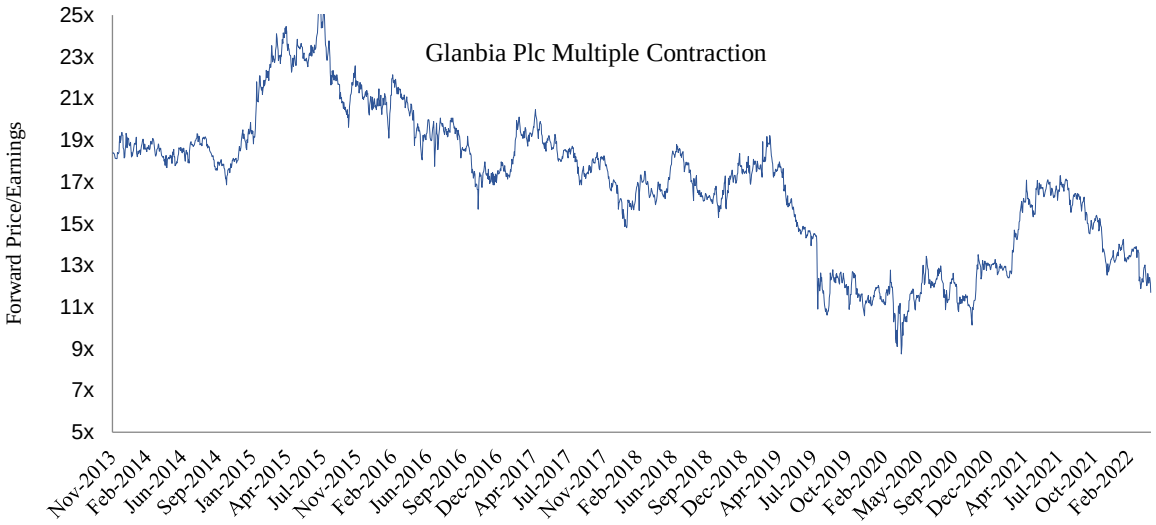
Ultimately, all the issues outlined above lead back to the Company's inefficient corporate structure. We do not believe that any management team, sitting seven time zones away from its core business, is able to simultaneously run a portfolio of consumer facing brands, a B2B ingredients business, a cheese manufacturing operation, and a series of joint ventures with any satisfactory degree of efficiency. This problem will further be compounded by growth: as the Company expands, acquiring new brands and assets and continues to invest, we fear that management and the board will become increasingly detached from the day-to-day leading to further operational issues down the road.

Glanbia's Broken Equity Story

Glanbia's share price has languished over the past three years, providing shareholders with negative returns, both absolute and relative to peers.

We are particularly worried about the contraction in forward earnings multiples, which indicates that the market has lost confidence in the Company and leads us to draw the conclusion that, under its current structure, Glanbia's equity story is permanently broken.



Source: CapitalIQ

Having consulted with numerous stakeholders, including investment banks, shareholders, sell-side analysts, and other market participants, we believe that there is overwhelming evidence to indicate that Glanbia's valuation problems are largely a consequence – either directly or indirectly - of the overly complex corporate structure.

Below we outline several of our concerns which we believe are causing the market to write-off Glanbia's stock:

The Conglomerate Structure is no longer suited for Glanbia

Conglomerate structures tend to be costly, inefficient, and usually trade at a substantial discount to their net asset value. Due to the separate, unrelated, and non-synergistic nature of the businesses owned by Glanbia, we believe that despite its efforts to characterize itself as an operating business, it is a de-facto conglomerate.

Unlike most holding companies however, Glanbia does not report its central costs, rather it allocates them to its operating businesses partially explaining the substantial margin differential between the Company and its peers.

	Revenue	EBITDA	%
bellring brands	**1271.2**	**230**	*18.1%*
Simply Good Foods	**1121.8**	**225.5**	*20.1%*
GPN	**1303.1**	**168.5**	*12.9%*

Source: Bellring Brands, Inc 10-K, The Simply Good Foods Company 10-K, Glanbia Annual Report

We estimate that Glanbia spends between ~€20 and ~€30 million per year in holding costs, a substantial portion of which would immediately disappear should GPN become a separate, stand-alone business (not including any further cost efficiencies achievable from the reduction in complexity). Accordingly, we question the benefits of incurring these additional costs.

Typically, in developed markets the added value in a conglomerate lies in the superior capital allocation skills of management which in certain rare cases can offset the additional cost and complexity of the structure. However, an analysis of the Company's past capital allocation suggests that this is certainly not the case for Glanbia, whose returns on capital deployed have been subpar. Glanbia has invested ~ €1.62 billion between "Strategic" Capital Expenditures, Acquisitions, and Investments in its Joint Ventures since 2014. During that period "Adjusted Net Income" increased by ~€20 million – just ~1.8% of capital invested (net of the disposal of Glanbia Ireland). Considering that the underlying markets have grown at high single digit to low double-digit rates during the same period while earnings grew at a meager ~1.5%, we can confidently say that the overall return on the investments made since 2014 has been negative.

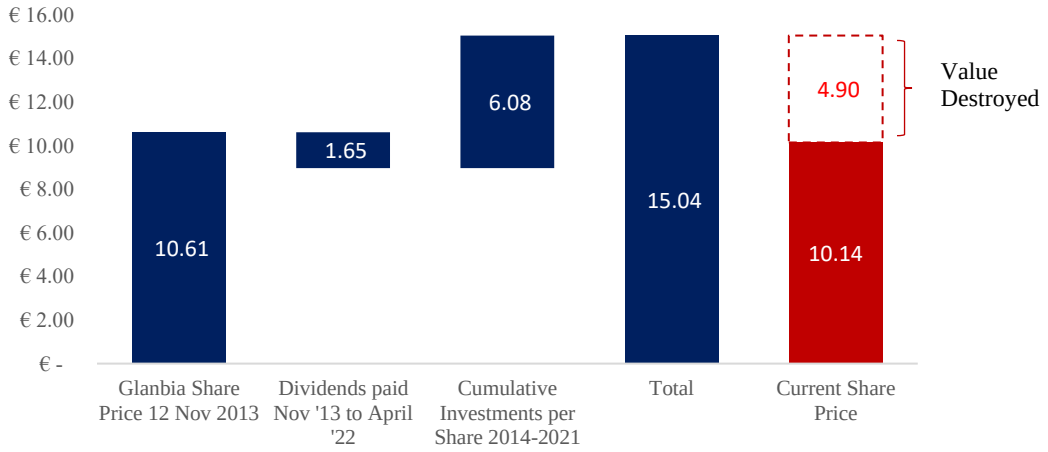
Similar conclusions can be drawn by comparing changes in EBITA over the period to changes in assets and to invested capital:

EBITA-based Return Calculations	GPN	Glanbia Nutritionals
2013-2021 Change in EBITA	74.6	23.5
2013-2021 Change in Segment Assets	1,201.5	538.4
Return on incremental assets	***6.2%***	***4.4%***
2014-2021 Cumulative Investments by Segment	1,199.9	505.1
Implied Return on Invested Capital	***6.2%***	***4.7%***

Source: Glanbia Annual Reports, Clearway Capital

From 2014 to 2021, the return on invested capital, calculated on EBITA (therefore, excluding the effects of exceptional costs and taxes) has been mid-single digit in both GPN and Glanbia Nutritionals ("GN"), during a period when market growth in sports nutrition averaged *~11.3%* in the United States and Western Europe.

From November 2013 to April 2022, Glanbia's total shareholder return has been roughly flat, implying that the market ascribes no value to any of the investments made since 2014. To paint a picture of the scope of the opportunity cost to shareholders, we have calculated that had Glanbia refrained from conducting any investments since 2014 (aside from "Business Sustaining Capital Expenditures") and instead, invested the same amounts in an S&P500 index fund, *today that investment would be worth more than Glanbia's current market capitalization.* In other words, shareholders would have been far better off had management done nothing for the past eight years except run the business.



Source: CapitalIQ, Clearway Capital. Data as of April 12, 2022

This further highlights the urgent need for change. **Each of Glanbia's core businesses requires separate access to equity capital and a targeted capital allocation policy, linked to executive remuneration**, which will allow it to ensure that each business maximizes long-term shareholder returns.
The alternative, as history has shown, can be very costly for shareholders.

Market Communication
Based on our conversations with the Company, sell-side analysts, and other shareholders, we share in the frustration of the latter that the current structure poses challenges to achieving a fair market valuation, especially during challenging times.

In recent years Glanbia has struggled with numerous profit warnings and guidance revisions which have weighed down on the Company's valuation. Each time this has occurred, it was due to issues isolated to GPN, yet the market reacted driving valuations down for the entire group as is common for complex conglomerates. The current structure makes conveying Glanbia's equity story an uphill battle as illustrated below:

Revenue	2019	2020	2021
GPN	1,364	1,138	1,303
Nutritional Solutions	745	747	877
US Cheese	1,767	1,938	2,016
Group Revenue	**3,876**	**3,823**	**4,197**
EBITA			
GPN	146	91	145
Nutritional Solutions	100	91	101
US Cheese	30	28	24
Group EBITA	**277**	**210**	**271**
Amortization	(61)	(61)	(64)
Operating Income	**216**	**149**	**207**
%	5.6%	3.9%	4.9%
Finance Income	6	4	2
Finance Costs	(33)	(25)	(20)
Share of results of JVs	49	62	19
PBT	238	190	208
Income Taxes	(23)	(15)	(25)
Net Income	**215**	**175**	**184**
%	5.5%	4.6%	4.4%

Negative performance in GPN overshadows positive developments in Ingredients

48% of Group Revenue is dependent on Cheese Prices. Despite limited effect on bottom line, this distracts the market from GPN and Nutritional Solutions

Group Profitability is severely diluted by Cheese business' **1.1% EBITA** margin making comparisons with peers difficult.

Group Operating Income is understated due to JV accounting, making EV/EBITDA and EV/EBIT valuations misleading.

The latest example of this occurred at the 2021 results announcement on March 2, 2022. The revision of GPN's margin guidance for 2022 due to whey price increases caused a share price contraction of -18.3%. We struggle to see how Glanbia, who was already trading at a ~40% discount to its closest peers pre-announcement, could suddenly be worth ~18% less due to a temporary issue in a single business. This example clearly illustrates how negative developments in one business overshadow otherwise healthy businesses and undermine the equity story.

Furthermore, during the same period that Glanbia's share price was falling ~18%, the share prices of your closest peers, Bellring Brands, Inc., and The Simply Good Foods Company, have been slightly positive, despite being significantly more exposed to inflation than you and despite trading at over double your earnings multiple. **We have never seen a more blatant example of a broken equity story than this.**

The current messaging is not working, and we believe a major shift is required for management to regain confidence from the market.

Independent analyst commentary confirms our views:

Rethinking the value drivers - four separate businesses

Over the past three years of organic and acquisitive growth, we believe that Glanbia has developed into four separate business, namely Glanbia Performance Nutrition, Nutritional Solutions, US Cheese and the JVs. This impression has been accentuated by the increased level of detail Glanbia has been providing, especially in recently breaking out the Nutritional Solutions and US Cheese businesses within Glanbia Nutritionals to the EBITA level.

Source: Investec

Sum-of-the-parts sense-check. A SOTP approach would be a deviation from our typical valuation methodology across our Staples coverage (which is a blended average of P/E multiple and DCF); so we do not use it to calculate our price target. However, a SOTP for Glanbia would differentiate between the core commoditised dairy business, and the value-added ingredients and Performance Nutrition businesses, providing a useful reference point. So, putting each business in line with its peer group average (Exhibit 33 and Exhibit 34), we arrive at a 2019 valuation of €16 per share (before applying any conglomerate discount).

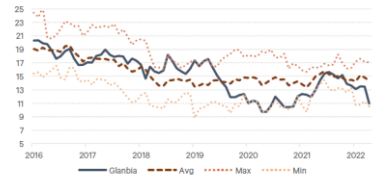
Source: Morgan Stanley

GLB is a complex entity to value given its bipolar nature (B2C Sports Nutrition vs. B2B ingredients and cheese) and the absence of any pure play benchmarks for the core activity of Sports Nutrition.

Source: Jefferies

Figure 7: Glanbia undeservedly trades at the bottom end of the range of bottom quartile food manufacturing stocks*

Bottom quartile food manufacturing P/E trading ranges and Glanbia FY23 P/E



*Source: Datastream; *Campbell Soup, Kellogg, Kraft Heinz, Greencore, General Mills, Tate & Lyle and Danone*

Source: Berenberg

Glanbia owns strong assets in its GN segment, but history has shown that as long as they are coupled with GPN, the market will have a difficult time recognizing their value as GPN will always steal the spotlight.

> *"I would say that over 90% of questions we receive from investors are related to GPN"*
>
> -Sell Side Analyst

Ultimately, based on the evidence we have gathered, we believe that it is undeniable that as long as Glanbia maintains its current structure, it will trade at a significantly discounted price relative to its fair value and the Company will always struggle to convey a coherent equity story to investors that can be appreciated by the market.

SUSTAINABILITY

Credit where credit is due: over the past eighteen months the Company has set Science Based Targets and has made substantial progress in addressing our concerns relating to the Company's environmental footprint. We applaud the Company for adhering to best practices and giving board level oversight to sustainability matters.

Nonetheless, the greenhouse gas emissions from dairy production pose a major structural headwind to Glanbia's businesses, who will each be affected in diverse ways and thus have vastly different sustainability priorities.

	Nutritional Solutions	Cheese	GPN
Sustainability Priorities	- *Reduce Scope III emissions relating to purchase of Whey*	- *Reduce Scope III emissions related to Dairy Production*	- *Improve packaging* - *Reduce Scope III emissions from purchase of dairy-based protein*
Actions	- *Work closely with supplier farms to reduce on-farm emissions* - *Continue to invest in pre-mix business*	- *Work closely with supplier farms to reduce on-farm emissions*	- *Review packaging across GPN brands with a prime focus on plastics in Optimum Nutrition* - *Continue investing in and growing non-dairy products*

We believe that Glanbia's businesses have a unique opportunity to drive impact, albeit in vastly different ways:

- GPN can maximize impact by focusing on promoting a healthy and active lifestyle, bringing to market innovative high-quality products while simultaneously reducing its environmental footprint by improving packaging and focusing on high-growth non-dairy product categories

- The remainder of Glanbia's business can maximize impact by reducing Scope III emissions while growing the reach and innovation within the ingredients business. We view Glanbia's Nutritional Solutions segment as two separate businesses: pre-mixes and whey, both of whom have different sustainability objectives. The pre-mix business requires continued investment to develop and expand its offering while the whey ingredients business shares the same sustainability objectives as the US Cheese business, which must focus on working with suppliers to help reduce on-farm emissions.

We have worked with a prominent NGO to better understand the sustainability challenges that the dairy sector is facing, and we were excited to learn that net-zero dairy production is possible but requires significant investment and substantial changes in behavior. We believe that Glanbia is uniquely positioned to work with its suppliers to drive these changes. Based on our conversations with industry insiders (some with whom you work), we understand that the Company is taking these challenges seriously, however we do not believe that the current company structure is the most efficient way to reach your sustainability goals given how they differ between GPN and the remainder of the group.

We strongly believe that the Company's businesses require clear, quantifiable <u>annual</u> sustainability targets, however given that the materiality of each sustainability issue is different for each business, the current structure renders it impossible to effectively link sustainability priorities with management's targets: too many KPIs are ineffective, too few and important sustainability priorities will be missed. For this reason, we do not believe a centralized approach to this issue will work.

By way of example, the annual ESG incentive for management in 2022 focuses on *Diversity, Equity, and Inclusion* ("DE&I"). While DE&I is undoubtedly important, we find it hard to justify such a KPI when *your Scope III emissions are equal to one sixth the total Co2E emissions of the country of Ireland.* *(Source: epa.ie, cdp.net)*

The Company states itself in its TCFD reporting that *Direct and Indirect Carbon Taxes* are the most significant medium-term risk. Glanbia's annual incentives should reflect this.

As a stand-alone entity, GPN would be well positioned to overcome its sustainability shortcomings around packaging by setting annual targets and linking incentives accordingly, while the remaining Company would be able to do the same on reduction targets of Scope III emissions.

Rethinking Glanbia's corporate structure: An Alternative Path Forward

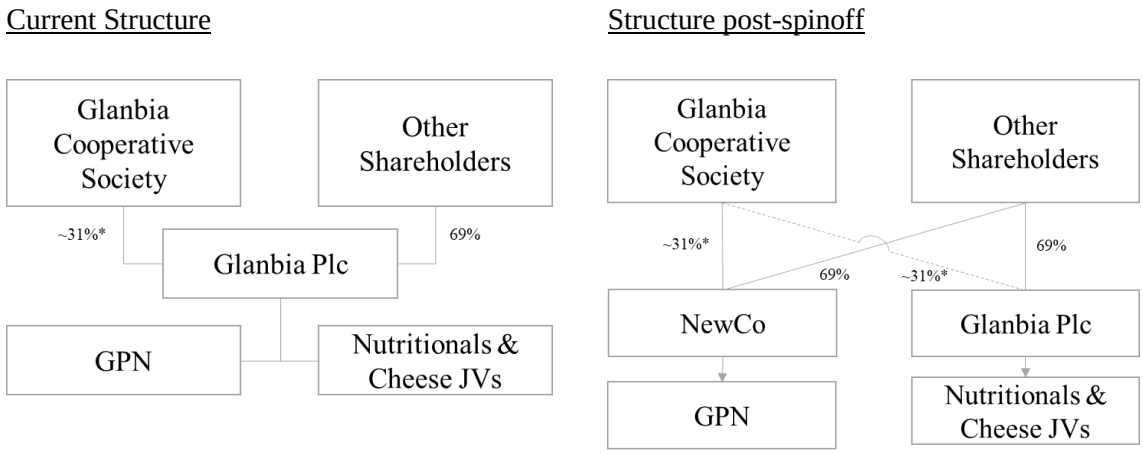
The case for why Glanbia's corporate structure needs rethinking is clear, and below we outline a path for the Company to follow that will ensure each business' ability to thrive over the long-term, creating value for shareholders, customers and other key stakeholders while improving the Group's overall environmental impact.

Whichever structure the Company settles on, we believe that the result must be:

- **GPN should be a stand-alone, separately managed company, 100% independent from the remainder of Glanbia Plc who shall not retain any ownership**

- **The remaining Glanbia Plc should focus on growing Nutritional Solutions while disposing of its European Cheese Joint Ventures**

We believe that the most straightforward way to achieve these goals is by separating GPN into a new entity ("NewCo") and distributing its shares to existing Glanbia Plc shareholders, pro-rata their ownership stake as illustrated below:



**Society shareholding as of Feb 28, 2022*

By distributing the entirety of its shares in NewCo, to shareholders and listing it on a United States exchange (with a secondary listing in Ireland), current shareholders of Glanbia Plc **will retain the same economic interest in GPN**, but enjoy the benefits of owning a nimble, efficient, market leading pure-play performance nutrition company with separate access to capital and an improved valuation.

We believe that GPN, as a stand-alone entity, today would command an equity value of ~€2.88 billion, or ~€10.37 per share, based on an enterprise value of ~€3.22 billion and 2x Net Debt/EBITDA**.** As an independent pure play, with a market leading position and direct access to capital, NewCo will be well equipped to profitably grow market shares and expand into product categories where it is currently underrepresented. Furthermore, over the longer term, as its numbers improve, we expect NewCo to attract interest from larger CPG players in a consolidating market giving long-term shareholders additional upside optionality on their investment.

How is our proposal different from what others have done?
In our conversations with various stakeholders, it has been brought to our attention that similar transactions in Ireland have created little value for shareholders. We believe that this is incorrect for two reasons: 1) we were unable to find any precedents in Ireland that follow the structure we are proposing of a full separation through share distribution and, 2) in situations where Irish PLCs have disposed of foreign assets, the subsequent returns to shareholders have largely been positive. We have reviewed several examples going back to 2015 and found that *the median return to shareholders in the six and twelve months following the announcement of disposal was respectively 11% and 28%.*

One recent transaction that was presented to us as an example of why a GPN separation would *not* work is the Total Produce Plc / Dole transaction. While the complexity of this specific transaction (a merger between a listed and an unlisted company followed by a share distribution followed by an IPO) far exceeds the complexity of the transaction that we are proposing, it is worth noting that shareholders of Total Produce Plc have fared relatively well: **the cumulative return to Total Produce Plc shareholders since the announcement of the transaction has been ~ 21.7%.**

A review of the few precedent transactions that we were able to find that did *not* create value for shareholders suggests that the problem was <u>never</u> in the separation itself, but in other areas of the remaining business.

One additional example which has been cited to us as a potential roadmap for Glanbia is the path that Bellring Brands, Inc. ("Bellring" or "BRBR") chose to follow. BRBR, which comprises the Active Nutrition business of its former owner Post Holdings, Inc. ("Post") listed through an IPO of ~20% of its shares in 2018 while the remainder continued to be owned by Post. In March 2022, Post distributed its ~80% ownership to its shareholders. While we are conceptually open to the idea of a partial IPO for GPN, we believe that a distribution of the remaining shares to Glanbia shareholders must occur simultaneously. *We do not believe that any transaction that sees Glanbia Plc owning a stake, however small, in NewCo would be in the Company's best interest, nor that of its shareholders.*

Since its IPO, BRBR's NTM forward earnings multiple has averaged 28.6x while the stock has generated a 56.5% cumulative return for its shareholders. *During the same period Glanbia's NTM forward earnings multiple has averaged 13.9x and the stock has generated a negative -29.7% return.*

Now is the right time to spin-off GPN
GPN has recently emerged from a multi-year restructuring that was expected to drive 300bps in margin expansion. Despite short term setbacks caused by input price inflation that are expected to offset the expected margin growth, given the longer-term expectations around whey prices and the actions taken to improve pricing on GPN's core products, we believe that the equity story of a market leader emerging from a turn-around with improved pricing in its core product categories will be extremely well received by the market. As a separate entity we are confident that the positive earnings momentum of NewCo over the next three to five years, driven by a stabilization of whey prices and further cost efficiencies, will generate significant share price outperformance relative to the sector.

Over the past five years two pure-play peers of GPN have listed in the U.S. creating a precedent for the industry, and with DSM NV having undergone a transformation into a leading ingredients brand, we believe there is a clear blueprint for the Company's businesses and how we would expect them to evolve over the longer term as separate companies.

We do not see any upside in further delaying the separation of GPN. The benefits we have outlined outweigh any counterarguments that we have heard thus far. The simple and elegant transaction structure would bring minimal disruption to the Company's businesses and unlike a sale or IPO process where it is sensible for the target company to have sustained positive earnings growth momentum, for a share distribution this is not required.

What would the separated businesses look like?

The separation of GPN would follow a traditional three-step spinoff process whereby 1) all GPN's operations would be grouped into NewCo which would become a wholly owned subsidiary of Glanbia Plc, 2) NewCo would re-lever its balance sheet to a conservative market standard multiple and distribute the proceeds to the Company, 3) Glanbia Plc would then proceed to distribute the shares of NewCo to its shareholders pro-rata their ownership interest, listing NewCo on a U.S. exchange with a secondary listing in Ireland.

The resulting structure would create two separate entities, independent of one another, yet both with the same ownership structure. By re-levering NewCo to a market standard 2x Net Debt/pro-forma EBITDA prior to separation and distributing the proceeds to Glanbia Plc, Glanbia Plc would become a stand-alone business, generating over €100 million in net income and with net cash on its balance sheet, giving it the flexibility to further invest in its ingredients businesses.

NewCo pro-forma	2020PF	2021PF
Revenue	**1,138**	**1,303**
EBITA	**91**	**145**
%	*8.0%*	*11.1%*
Amortization (excl brand)	(6)	(7)
Operating Income	**85**	**138**
%	*7.5%*	*10.6%*
Finance Charges	(14)	(14)
PBT	72	124
Income Tax	(16)	(27)
Net Income	**56**	**97**
%	*4.9%*	*7.4%*
Net Debt/EBITDA	n/a	2x

Source: Clearway Capital

Remaining Glanbia Plc (pro forma)	2020PF	2021PF
Revenue	**2,685**	**2,894**
EBITA	**118**	**126**
%	*4.4%*	*4.3%*
Amortization (excl brand)	(12)	(14)
Operating Income	**106**	**111**
%	*4.0%*	*3.8%*
Finance Charges	-	-
PBT	106	111
Income Tax	(23)	(24)
Share of JV income (cont. ops)	37.7	19.20
Net Income	**120**	**106**
%	*4.5%*	*3.7%*

Source: Clearway Capital

How the separation benefits the remainder of Glanbia Plc

The transaction structure we are proposing would also benefit the remaining Glanbia Plc ("RemainCo"), which would remain a listed entity trading on the Irish Stock Exchange.

From a strategic and operational perspective, RemainCo would enjoy similar benefits to NewCo: separate access to capital, improved management focus, the ability to align management incentives to the needs of the business and the strategic flexibility to chart its own strategic course, independent of GPN.

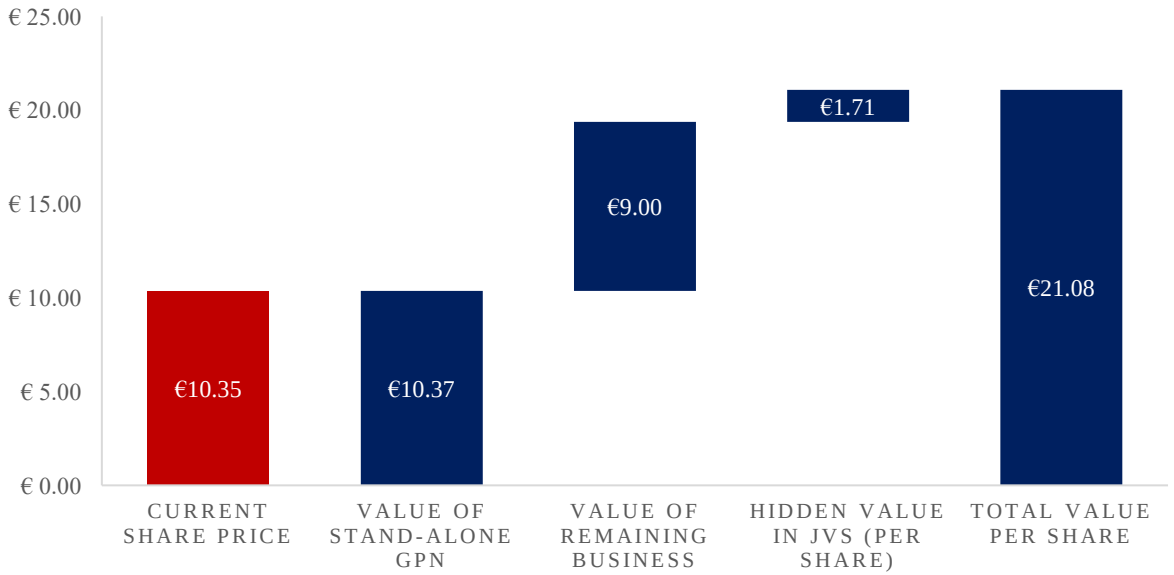
We believe that RemainCo's under-levered capital structure, combined with separate access to equity capital will give it the ability to invest significantly into growing the ingredients business, which is an area that under the current structure does not receive the attention it deserves. We are particularly fond of the Nutritional Solutions segment that enjoys secular tailwinds combined with sticky, recurring and predictable revenues. We believe that the Company has a unique opportunity to leverage its position in the market to drive further growth, both organically and inorganically.

The economic characteristics of the Nutritional Solutions segment make it a hidden gem within Glanbia's complex structure that the market clearly does not appreciate. By shining a spotlight on Nutritional Solutions, RemainCo's independence would not only benefit the business longer term, but also its shareholders: with over ~100 million in pro-forma net income today (which we believe can be improved as we outline below), **RemainCo alone would conservatively trade at a market capitalization of <u>at least</u> ~€2.5 billion, or ~€9.00 per share** (over 85% of the current market value of the entire group).

RemainCo's untapped leverage capabilities would allow it to immediately raise over €300 million to invest in the business and its improved valuation would allow it to access the capital markets at attractive terms for shareholders giving the business significant strategic optionality.

Our valuation assumptions do not account for any streamlining in the joint venture structures where we believe there may be up to an additional **~€1.71 per share** in hidden value. For example, the economic value of your newly built plant in Michigan is not visible in the Company's accounts and the 2021 share of joint venture income of ~€19.2 million includes the Company's share of the losses generated by Glanbia Cheese EU Limited.

From what we can gather from public documents, Glanbia Cheese EU Limited has never paid dividends to the Company yet has absorbed over ~€30 million in investments. We would strongly urge you to reduce complexity in the group by disposing of these assets and extending the review of the Company's JVs to Glanbia Cheese Limited.



Source: Clearway Capital

The Separation would have strategic benefits for Glanbia Cooperative Society
Following the disposal of Glanbia Ireland DAC, we believe that maintaining a conglomerate structure no longer serves the interests of the Society. Considering the structure of the transaction whereby the Society will spin-out twelve million shares to its members and an additional twelve million have been reserved for an investment fund, we believe that the Society would benefit from our proposals for the following reasons:

1. We expect the value of the shares to increase by over 100% from current prices. To a Society member with an average shareholding in the co-op, we have calculated that this would be worth approximately €16,500, substantially more than the €9,353 envisioned upon announcement of the transaction and based on which Society members approved the transaction, and certainly more than the €8,095 based on current prices. Furthermore, Society members who wish to remain shareholders will benefit from the subsequent returns driven by improved execution.

2. The twelve million shares destined for the Society's investment fund will be worth more than the €143 million envisioned upon the announcement of the transaction. This will give the Society ~€252 million in deployable capital for investments.

3. Given that the ~€252 million will be held in shares of *two companies*, the Society will have the option to opportunistically sell shares of whichever company it sees fit based on market conditions and will not be anchored to the languishing share price of Glanbia Plc in its current form.

4. Through improved capital allocation that would come with more focused management in the two separate businesses, we estimate that the overall dividends received by the Society could more than double, thus doubling the cash available for distributions to members.

A separation of GPN would not only create immediate value for all shareholders, including the Society, but by putting the Company on an improvement trajectory, it would ensure that consistent value is delivered to long-term shareholders.

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Concluding Thoughts

The Proposals outlined in this letter will drive significant value creation for Glanbia's shareholders and its customers while simultaneously leaving a positive impact on the environment.

With every problem comes an opportunity, and we believe that Glanbia's Board has an incredibly unique opportunity to drive meaningful, lasting change that will benefit all of the Company's key stakeholders. The current corporate structure is undermining the quality of Glanbia's businesses, causing frustration among shareholders. Every day that the Company continues to trade at an

embarrassingly low valuation is another day that shareholders are deprived of value that is rightfully theirs.

There is a *clear way* to fix this, and we strongly urge the Board to take all necessary actions to ensure that Glanbia is put on a path that will see its reputation restored. By creating two separate, nimble companies, the Board has the opportunity to set a new, improved course for the Group.

We look forward to constructively engaging with you on these matters over the coming weeks.

Sincerely,

Gianluca A. Ferrari
Founder & CEO

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