

HERSHEY'S COMPANY

NYSE: HSY

Current Price: US\$182

Target Price: US\$228 (+25%)

Hershey's: Sweetening Strategies in a Bitter World!

BUY Recommendation

We initiate coverage on Hershey Co. (NYSE: HSY) with a **BUY** recommendation and a target price of **US\$228.5**, representing a **+25.4%** upside based of its current price of US\$182.2 Our target price was derived using a discounted cash flow valuation method and performing a relative valuation as a sanity check.

Investment Summary

Capitalising on Brand Strength: HSY's Strategy for Leadership:

Hershey maintains its market leadership by reinforcing its brand value through strategic partnerships and premium offerings. HSY's collaboration with Publicis Groupe enhances digital reach, fostering authentic consumer engagement. Limited-edition and seasonal products, alongside strategic displays, capitalise on impulse purchases, while brand loyalty and premiumization strategies drive margins. Through selective M&A in the salty snack space, HSY's expands its portfolio to cater to evolving consumer preferences.

Driving Profitability Through Resilience & Efficiency: HSY's enhances operational efficiency through automation and flexible manufacturing, targeting annual savings of US\$300mn by 2026. Blockchain initiatives further improve supply chain transparency, supporting both sustainability goals and brand trust. These strategies collectively drive down costs and streamline operations, enabling HSY's to reinvest in growth opportunities and maintain a competitive edge.

Commanding Growth Through Acquisitions & Innovative Solutions:

HSY's diversifies and strengthens its supply chain to support international growth by inorganic growth. These initiatives reduce exposure to supply risks and ensure high standards, resonating with global consumers. Expansion into new segments and regions enables HSY's to appeal to premium market segments worldwide, sustaining growth while reinforcing brand loyalty.

Risk

Geopolitical Risk (G1): Political tensions may disrupt HSY's diverse supply chain, leading to increased sourcing costs and production delays. Mitigation involves diversifying sourcing strategies and strengthening local partnerships.

Business Risk (B1): Rising global cocoa demand and climate challenges have caused price volatility, potentially squeezing profit margins and forcing price increases that could dampen consumer demand. HSY's plans to mitigate this risk through long-term supplier contracts and cost-saving measures.

Business Risk (B2): Stricter sustainability regulations may necessitate product reformulations, increasing operational costs and compliance burdens. HSY's is addressing this by investing in compliance programmes and developing flexible recipes to adapt to regulatory changes.

Analysts

Daryl Woo	Lead Analyst
Daanvir Singh Narula	Senior Analyst
Royden Lim	Analyst
Aloysius Han	Analyst
Lee Chok Ying	Analyst

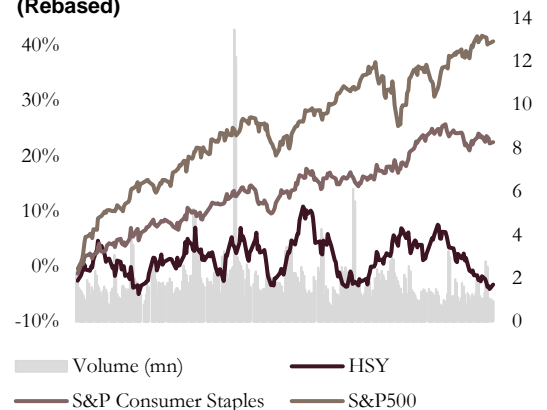
Basic Information

Ticker	HSY
Exchange	NYSE
Sector	Consumer Staples
Current Price (US\$)	182.2
Target Price (US\$)	228.5
52-Week Trading (US\$)	175.1– 222.3
Market Capitalisation (US\$ mn)	39,945.8
Shares Outstanding (mn)	202.2

Key Management

Michele G. Buck	President, Chief Executive Officer
Steve Voskuil	Chief Financial Officer
Jason Reiman	Chief Supply Chain Officer

1Y Price v S&P500 v S&P Consumer Staples (Rebaser)



Source: S&P Capital IQ

	FY19A	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E	FY28E
NAC Revenue (US\$ mn)	6,815	7,084	7,682	8,536	9,123	9,342	9,625	9,915	10,215	10,524
NAS Revenue (US\$ mn)	410	438	555	1,029	1,092	1,121	1,155	1,190	1,226	1,263
I Revenue (US\$ mn)	761	626	733	853	949	966	996	1,026	1,057	1,089
Gross Profit Margin	45.4%	45.4%	45.1%	43.2%	44.8%	44.9%	45.2%	45.3%	45.4%	45.5%
EBITDA Margin	25.1%	25.8%	26.4%	26.7%	27.9%	27.0%	27.3%	29.0%	29.1%	29.1%
Net Profit Margin	14.4%	15.7%	16.5%	15.8%	16.7%	20.1%	19.6%	20.7%	20.3%	20.0%
Debt-to-EBITDA	2.1x	2.2x	2.1x	1.7x	1.5x	1.2x	1.0x	0.7x	0.7x	0.6x

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Business Overview

Background

Headquartered in Hershey, Pennsylvania, Hershey's ("HSY's") operates one of the largest and finest chocolate businesses in North America, boasting over 19,000 employees across 100 brand names. The company is known for chocolate, sweets, mints and other great tasting snacks. HSY's market, sells and distributes their products across 80 countries worldwide (Fig. 1.1). The company operates through 3 main segments: (1) North America Confectionery; (2) North America Salty Snacks; and (3) International Snacks.

(1) North America Confectionery Segment

Hershey's North America Confectionery segment experienced solid growth in FY2023, with net sales rising to c.US\$9bn, accounting for 82% of the company's total revenue (Fig. 1.2). This segment focuses on a range of products like chocolate, candy, gum, and mints. Key brands like Hershey's Milk Chocolate, Reese's Peanut Butter Cups, and KitKat remain the segment's top performers. Chocolate sales alone grew by c.11%, while other confectionery categories such as candy and refreshment products saw increases of c.13% and c.11%, respectively. The North America Confectionery segment has proven resilient, supported by steady consumer demand, despite inflation and economic challenges. The company's seasonal products and holiday-driven offerings have played a significant role in boosting sales.

(2) North America Salty Snacks Segment

The segment focuses on providing savoury snack options alongside its core confectionery offerings. In FY2023, HSY's salty snacks generated c.US\$1bn, representing 10% of its total revenue. It includes popular brands such as SkinnyPop and Dot's Homestyle Pretzels. Dot's Pretzels achieved a 18% retail sales increase, boosting HSY's market share within the pretzel category.

(3) International Segment

HSY's International segment accounts for 8% of the company's total revenue. The company currently has operations and manufactures products in Mexico, Brazil, India, and Malaysia, primarily for consumers in these regions and retail access to neighbouring regions. The company strengthened its international operations through new distribution channels and innovational product enhancements to appeal to the domestic palates.

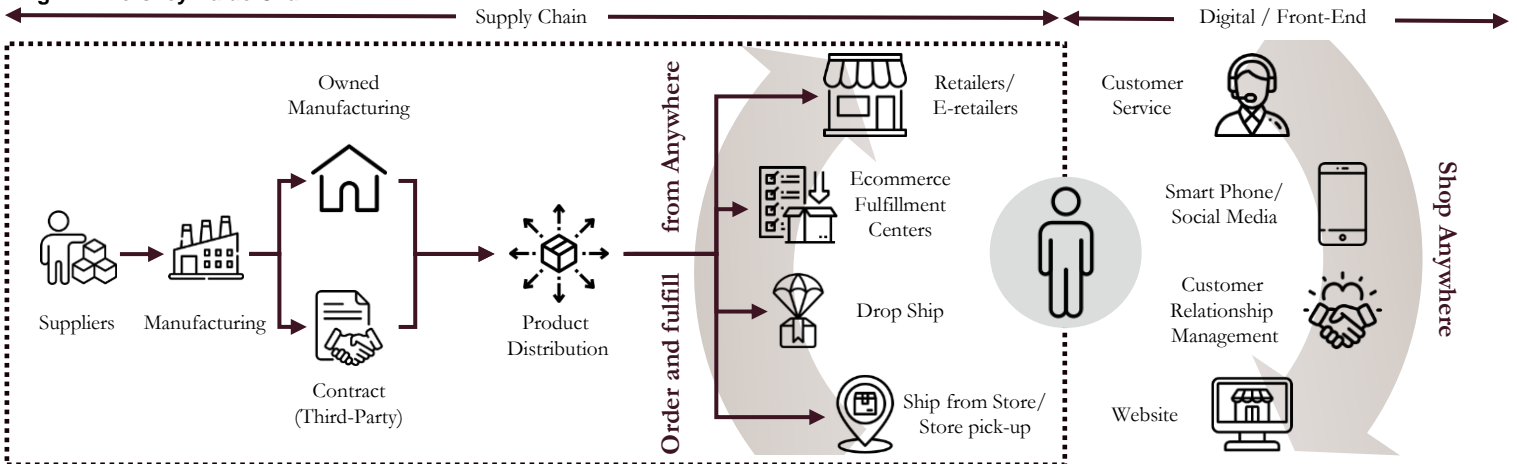
Revenue & Cost Drivers

Revenue: HSY's revenue is primarily driven by the sale of its snacks with its bestsellers and growing assortments portfolio (Fig 1.3). HSY's benefits the most during major holidays. HSY's has also consistently experienced favourable price realisations, conveying greater value and strong brand loyalty, safeguarding margins.

Costs: The bulk of HSY's costs arise from the purchase of its raw materials and unfavourable circumstances across its supply chain such as higher labour costs, increased waste, and costs associated with inflation.

Value Chain

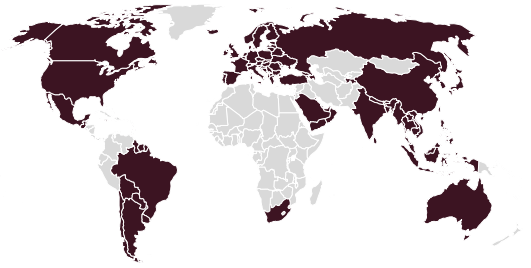
Fig. 1.4: Hershey Value Chain



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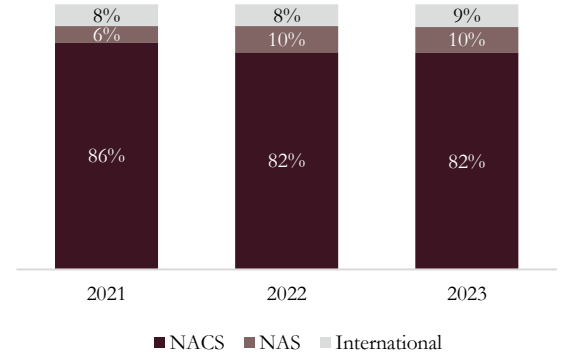
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Fig. 1.1: HSY's Geographical Presence



Source: Company Filings

Fig. 1.2: Hershey's Revenue by Segment (%)



Source: Company Filings

Fig. 1.3: Hershey's FY23 Bestseller Revenues

1 Reese's US\$3.1bn	2 HERSHEY'S US\$2.4bn	3 KitKat US\$0.7bn
4 ICEBREAKERS US\$0.7bn	5 HERSHEY'S KISSES US\$0.6bn	6 SKINNYPOP POPCORN US\$0.5bn
7 Twizzlers US\$0.4bn	8 Cadbury US\$0.4bn	Others Dot's Pretzels SKOR & more...

Source: Company Filings

HSY's operates a robust value chain and commands an efficient manufacturing process to ensure the consistent production and delivery of its products. The company sources raw materials, including cocoa, sugar, and dairy, from a diverse range of suppliers, emphasising sustainable sourcing practices, particularly for cocoa, by collaborating closely with farmers and cooperatives. HSY's also runs 22 manufacturing facilities globally, producing a wide range of products from chocolate bars to seasonal items. Additionally, the company partners with third-party manufacturers, such as outsourcing the production of its Zero candy to a Canadian facility, which allows HSY's to optimise its internal capacity for other products like PayDay, boosting production efficiency.

In terms of order and fulfilment, HSY's products are widely available in traditional retail stores, with McLane Company serving as its largest distributor. The company has expanded its reach through online retail partnerships with major e-retailers like Amazon, as well as established e-commerce fulfilment centres to efficiently process and deliver orders. HSY's also offers direct shipping to customers in the U.S. and utilises local stores to fulfil online orders for delivery or pick-up. On the digital front, HSY's enhances customer engagement through multiple support channels, including phone, email, and social media, fostering brand loyalty. Its website offers personalised experiences by providing product information, recipes, promotions, and online shopping options, ensuring a seamless customer experience across both digital and physical touchpoints.

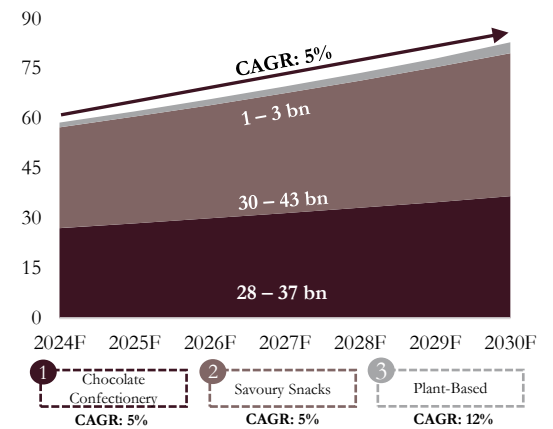
Industry Overview

US Confectionery Market

The US Confectionery market is comprised of three main sub-markets: (1) Chocolate Confectionery; (2) Salty Snacks; and (3) Plant-Based Snacks. Customers indulge in the various products available across celebratory occasions, associating snacks with creating moments of goodness and eliciting positive emotions amongst individuals and groups. The chocolate confectionery sub-market comprises most of the market followed by savoury snacks and plant-based snacks (Fig 1.5). The first trend that has emerged refers to: (i) Health and Wellness. Formerly being aligned with indulgence, decadence, and mental well-being, customers have shifted from seeking indulgent chocolates to demanding options that support weight loss and diabetes management, influenced by the rise of glucagon-like peptide-1 drugs. Hence, snack products including greater servings of protein, reduced fats and sugars, and use of plant-based ingredients. The second trend refers to: (ii) Emphasis on Value. Facing inflationary pressures, customers have held tightly onto their wallets, seeking for greater benefits on consumption of products for their money. Accordingly, 55% of customers are willing to pay more for

premium products that provide more value where customers now focus on nutritional benefits, premium tastes, unique flavours and textures, value packs, and products with sustainably sourced ingredients. Lastly, the final trend refers to: (iii) Convenience. Returning to working in offices and related social environments, customers are no longer within the comforts of their homes. Consequently, consumer demands rise for single-serve packaging and on-the-go formats, catering to busy lifestyles and the need for quick snack solutions. Availability of products in convenience stores, supermarkets, grocery stores, online retailers, and more, are critical for firms to recognise and realise success.

Fig. 1.4: US Confectionery Market (US\$ bn)



Source: Euromonitor, Innova Market Insights

Competitive Landscape

The Nature of Competition & Competitive Positioning

Both markets are fragmented and feature a diverse range of competitors, including global multinationals, national brands, regional players, and local firms. Companies in the space compete through prioritising strategies, such as product innovation, quality, pricing, brand recognition and loyalty, effective marketing and promotional efforts, responsiveness to consumer needs, and overall convenience and service.

Metric	Benchmark	Metric	Benchmark																												
US Chocolate Market Share (%)	<table border="1"> <tr> <td>36</td> <td>29</td> <td>8</td> <td>7</td> <td>6</td> <td>4</td> <td>1</td> </tr> <tr> <td>HERSHEY'S</td> <td>MARS</td> <td>Mondelez International</td> <td>FERRERO</td> <td>Lindt</td> <td>NESTLE</td> <td>UNILEVER</td> </tr> </table>	36	29	8	7	6	4	1	HERSHEY'S	MARS	Mondelez International	FERRERO	Lindt	NESTLE	UNILEVER	Brand Strength Index	<table border="1"> <tr> <td>91</td> <td>86</td> <td>83</td> <td>89</td> <td>88</td> <td>79</td> <td>71</td> </tr> <tr> <td>HERSHEY'S</td> <td>MARS</td> <td>Mondelez International</td> <td>FERRERO</td> <td>Lindt</td> <td>NESTLE</td> <td>UNILEVER</td> </tr> </table>	91	86	83	89	88	79	71	HERSHEY'S	MARS	Mondelez International	FERRERO	Lindt	NESTLE	UNILEVER
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Customer Satisfaction Index	<table border="1"> <tr> <td>83</td> <td>78</td> <td>79</td> <td>78</td> <td>81</td> <td>75</td> <td>67</td> </tr> <tr> <td>HERSHEY'S</td> <td>MARS</td> <td>Mondelez International</td> <td>FERRERO</td> <td>Lindt</td> <td>NESTLE</td> <td>UNILEVER</td> </tr> </table>	83	78	79	78	81	75	67	HERSHEY'S	MARS	Mondelez International	FERRERO	Lindt	NESTLE	UNILEVER	Price (US\$)	<table border="1"> <tr> <td>10</td> <td>11</td> <td>11</td> <td>21</td> <td>19</td> <td>14</td> <td>15</td> </tr> <tr> <td>HERSHEY'S</td> <td>MARS</td> <td>Mondelez International</td> <td>FERRERO</td> <td>Lindt</td> <td>NESTLE</td> <td>UNILEVER</td> </tr> </table>	10	11	11	21	19	14	15	HERSHEY'S	MARS	Mondelez International	FERRERO	Lindt	NESTLE	UNILEVER
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Thesis 1: Capitalising on Brand Strength: HSY's Strategy for Leadership

1.1 Elevating Brand Value Through Strategic Collaborations

Within the confectionery market, brand awareness, loyalty, and impressions are integral to the success of players within. HSY's has tightly held on to its lead in the market through their ability to make moments of goodness amongst customers, which has solidified their base of loyalty, popularity, and awareness of 94% according to a survey conducted with c.8,000 respondents. Through leveraging its brand, HSY's has uncovered profound success and is able to use it to greater scale than its peers.

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With 90% of US citizens being able to connect to the internet, the industry primarily competes for its customers through digital means. HSY's has consistently outperformed industry peers in media outreach by achieving the highest average media impressions per campaign at 437mn, well above the industry median of 325mn (Fig 3.1). As a market leader with strong brand awareness and a focus on creating emotional and memorable moments, famous public figures such as music artists are incentivised by the opportunity of partnering with HSY's. This allows and positions HSY's to release limited and premium offerings, and reach larger audiences than its peers, allowing the firm to scale their brand at heightened rates. We firmly believe that its brand will continue to be the driving factor for future success for the firm.

Recently, HSY's announced its partnership with Publicis Groupe ("PG") — a marketing group with the most consistent organic growth and leading expertise in its industry (Fig 3.2). The partnership aims for HSY's to leverage the capabilities of PG and its strong focus on strategic planning, integrated investments, and data and technology enhancements. Since PG's acquisition of Epsilon (2019), an industry leader in data-driven marketing, PG has been able to leverage its newly acquired capabilities to personalise marketing at scale. Additionally, today, PG is also set to acquire Influential which will provide PG with an additional 100bn data points and access to 90% of global influencers with over 1mn followers, poised for enhanced data-driven strategies.

With two industry powerhouses at PG's disposal—the world's largest influencer marketing company and industry leading, consumer-focused data marketing firm, PG is poised to further expand its informational advantage over its competitors. Unlike the marketing partners of HSY's competitors, PG's success comes from the successfully integrated synergistic acquisitions that have helped to expand its service offerings, allowing them to meet the demands of modern marketing. Consequently, HSY's is poised to capitalise on this success and gain from PG's developments and dominance in its market, allowing HSY's to continue to dominate the marketing space in its industry, setting its brand apart.

1.2 Profit-Protecting Premiumisation

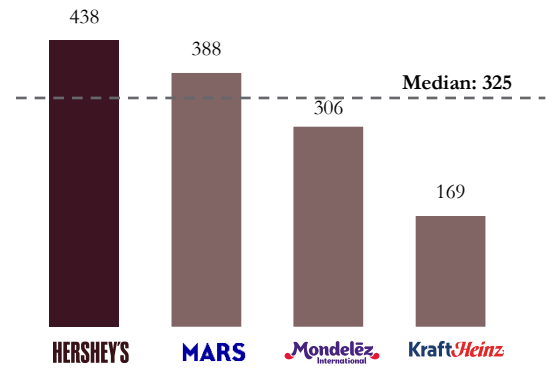
With a strong and fully transparent marketing strategy, HSY's can premiumise its product offerings that appeal to upscale consumers without sacrificing sales volume. This approach has been instrumental in helping HSY's to command premium prices, contributing to its direct operating margin of 33% (Fig 3.3). Central to HSY's premiumisation efforts are high-impact partnerships and collaborations, such as the Reese's Puffs collaboration with Travis Scott which sold out within 30 seconds of launch and the creation of Reese's Medals for the Olympics. HSY's also focuses on seasonal and limited-edition offerings that are tailored for holidays like Halloween and Christmas, that continue to regularly drive sales during peak seasons.

In addition, HSY's dedication to enhancing packaging and product presentation has been a recent focus that strengthens its premiumisation efforts, through its Price Pack Architecture. HSY's offers products at various price points, from entry-level to assorted multi-pack offerings, catering to more diverse consumer needs. Complementing this, HSY's 'Sweet & Salty Merchandising' setup in retail stores taps into consumers' impulses to satisfy multiple cravings in one convenient display, further encouraging spontaneous purchases and reaching customers' line of sight ahead of HSY's peers. This multifaceted premiumisation approach paired with their strong, yet transparent marketing strategies has significantly bolstered HSY's brand awareness and popularity over competitors, with scores of 94 and 61 respectively (Fig 3.4).

1.3 Leveraging Brand Loyalty to Shield Margins

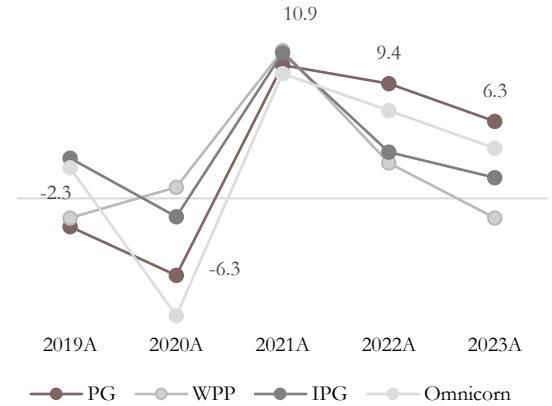
In this industry, capturing consumer attention requires brands to balance effective marketing investments with fostering lasting loyalty. While it's essential to make products stand out, true success comes from building a brand that resonates with consumers, encouraging repeat purchases even in the face of price increases. Despite spending a smaller portion of revenue on marketing compared to competitors (Fig. 3.5),

Fig. 3.1: Average Media Impressions Per Campaign (mn)



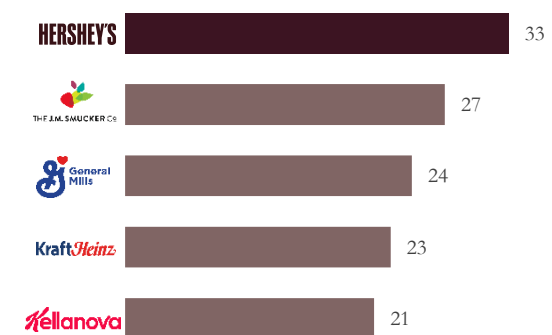
Source: Team Analysis

Fig. 3.2: Organic Growth Rates of Marketing Partners (%)



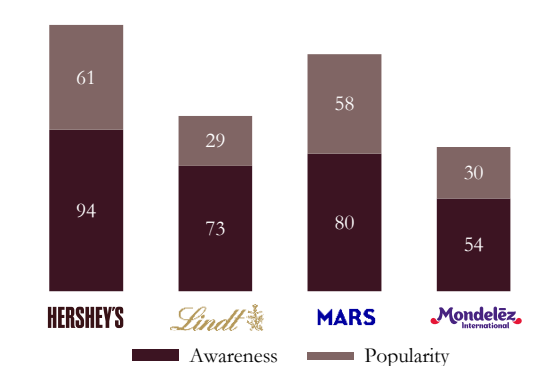
Source: Company Filings, Team Analysis

Fig. 3.3: 5YR Average Direct Operating Margins (%)



Source: Morningstar

Fig. 3.4: U.S Brand Awareness & Popularity Scores (FY24)



Source: Statista

This success stems from HSY's deploying their dual-pronged strategy that allows them to consistently win over consumers while incrementally raising prices to cushion the rising costs of cocoa. By leveraging data and technology from its partnership with Publicis Groupe, HSY's gains a competitive edge in capturing consumer attention and winning over customers. This enhanced visibility, alongside HSY's premiumisation efforts tailored for both mass and premium market segments, allows the brand to uphold its margins and successfully navigate the rising cocoa costs, ensuring sustained market leadership. The success of this strategy is further underscored by HSY's achieving the highest brand intimacy quotient score of c.49 among industry peers (Fig 3.6). It shows that HSY's approach to understanding its customers is effective and consumers are willing to pay a premium for HSY's products despite the rising costs. This enables HSY's to comfortably retain pricing power and protect margins, even amid rising input costs. By continuing to pair premiumisation with deep consumer connections, HSY's is well-equipped for resilient growth, even in challenging economic conditions which reinforces HSY's stability and drive long-term value creation.

Thesis 2: Profitability through Resilience & Efficiency

2.1 Bolstering Resilience Through Diversification and Ethical Sourcing

HSY's is enhancing its supply chain resilience by diversifying cocoa sourcing to reduce reliance on conflict-prone regions. Currently, West Africa, primarily Ghana and Ivory Coast, supplies over 60% of the world's cocoa, exposing HSY's to risks of inflated prices from shortages arising from climate disasters. To mitigate this, HSY's sources 40% of its cocoa from Latin America, which presents lower risks due to lower conflict levels. In contrast, competitors like Mars and Mondelez rely heavily on West Africa, sourcing 80% and 75% of their cocoa, respectively (Fig 4.2). This diversification positions HSY's to maintain a stable cocoa supply, ensuring greater consistency and resilience. In addition to diversification, HSY's leads the industry in cocoa traceability, having achieved 100% traceability since 2022, surpassing its competitors like Mars, who have reached only 95% traceability (Fig 4.3). This full traceability gives HSY's complete control and autonomy over its cocoa supply chain, allowing it to monitor every step of the process from farm to factory. This capability reinforces HSY's commitment to ethical sourcing and minimises risks associated with fluctuating costs, supply disruptions, or potential ethical violations, such as child labour or unsustainable farming practices.

By maintaining 100% traceability, HSY's can proactively respond to supply chain challenges, adjust sourcing strategies, and uphold quality and ethical standards, thereby insulating itself from market volatility and external shocks. HSY's is also investing US\$500mn in its Cocoa For Good programme by 2030, with nearly US\$104mn already allocated to community initiatives from 2020 to 2023. The programme has supported more than 90,000 cocoa farmers by providing training, developing farm management plans, diversifying incomes, securing land tenure rights, and replacing old cocoa trees with over 79,000 new seedlings. While competitors like General Mills and PepsiCo have similar programs, they lack the transparency and substantial financial commitments of HSY's initiative, which sets a benchmark for community dedication and sustainability. This focus on sustainability and traceability resonates strongly with consumers. According to McKinsey research, products with ESG-related claims have averaged 28% cumulative growth over the past five years, compared to 20% for products without such claims. HSY's comprehensive approach not only builds goodwill and strengthens relationships with farmers but also enhances its brand image, secures a stable cocoa supply, and bolsters its competitive position in the global market, positioning it to outperform its peers further.

2.2 Amplifying Operational Excellence

HSY's Automation and Agility Initiative targets US\$300mn in annual net savings by 2026, with US\$100mn expected in 2024 (Fig 4.1). This plan focuses on five areas: digitising processes, optimising procurement and manufacturing, capturing cross-segment synergies, accelerating R&D, and enhancing organisational efficiency. Through the integration of SAP S/4HANA, HSY's has already reduced processing times by 20% and cut operating costs by 15%, leading to improved margins and greater responsiveness to market demands.

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Fig. 3.5: R&D & Marketing Gaps in Food Firms



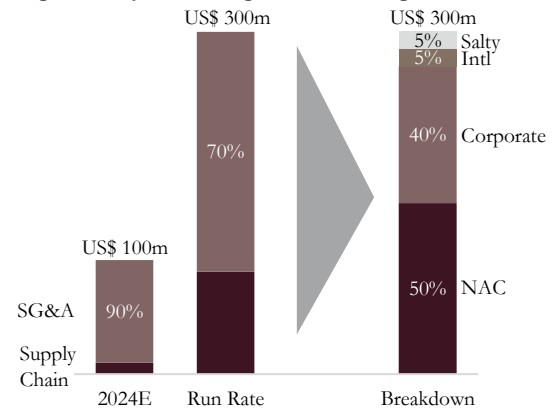
Source: Morningstar

Fig. 3.6: Brand Intimacy Quotient Scores

1 HERSHEY'S 49.2	2 <i>Campbell's</i> 44.2	3 QUAKER 43.9
4 <i>Betty Crocker</i> 40.9	5 BEN & JERRY'S 40.7	6 <i>Nestlé</i> 40.1
7 <i>Kellanova</i> 40.3	8 Pillsbury 37.2	Others <i>Stouffers</i> , <i>fritoLay</i> & more...

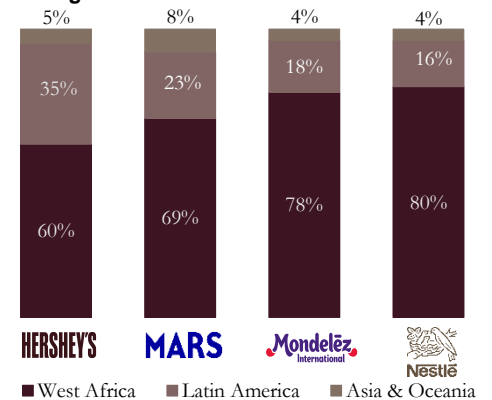
Source: MBLM

Fig. 4.1: Expected Program Net Savings



Source: Company Filings

Fig. 4.2: West Africa vs Latin America Cocoa Sourcing



Source: Company Filings

Additionally, HSY's has shifted from its capital-intensive, single-purpose production lines to a Flexible Manufacturing model that consolidates multiple technologies (A + B + C) into adaptable lines. This approach supports a diverse SKU portfolio, enables rapid changeovers, reduces downtime, and minimises capital requirements, all while enhancing operational agility.

In 2021, HSY's invested c.US\$520mn to expand domestic production capacity, focusing on popular products like Reese's and KitKat, which has lowered reliance on global suppliers and mitigated risks tied to supply chain disruptions. The US\$300mn savings target is broken down into 50% from North American Confectionery, 40% from Corporate, and 10% from Salty Snacks and International segments, showcasing a balanced approach across business units. By combining technology and flexible manufacturing with expanded local production, HSY's builds a resilient, leaner operating structure, securing long-term growth, profitability, and consistent value for investors, all while maintaining its competitive edge in an evolving market.

Thesis 3: Commanding Growth Through Strategic Acquisitions and Innovative Solutions

3.1 Accelerating Growth through Strategic Acquisitions

As competition within the salty snacks market stagnates along with the positions of its major players, HSY's has been able to demonstrate strong inorganic growth through its acquisition efforts. Despite being a new player, the company has announced its presence into the market, surpassing growth rates within the industry (Fig 5.1). The company's recent acquisitions of Lily's, Dot's and Pretzels, and SkinnyPop, has allowed it to realise substantial revenue synergies through additional volume and increased unit price per sales. To illustrate, the acquisition of SkinnyPop granted HSY's a foothold in the popcorn snack category, contributing an impressive additional revenue of US\$500mn. Meanwhile, the acquisition of Dot's Pretzels, which has demonstrated an exceptional five-year CAGR of c.65% in retail sales, has further bolstered HSY's salty snack portfolio. Looking ahead, Dot's Pretzels is projected to sustain growth with a c.10% CAGR from 2024 to 2029, further reinforcing HSY's position in the market. In 2023, HSY's North America Salty Snacks segment reported net sales of US\$1,093mn, up from US\$1,029mn in 2022, a c.6% increase.

This growth was largely driven by a favourable price realisation of c.5%, attributed primarily to price increases for SkinnyPop and Dot's, alongside a c.1% volume increase related to Dot's. Furthermore, between 2021 and 2022, net sales for this segment surged by c.85%, reaching US\$1,029mn from US\$555mn. This increase reflected a 64% boost from the acquisitions of Dot's and Pretzels, bolstering a favourable price realisation of 12% and a volume increase of c.9%, led by SkinnyPop and Pirate's Booty. These strategic acquisitions have enabled HSY's to leverage synergies through increased volume and higher unit pricing, positioning itself as an up-and-coming player in the snacks market. HSY's extensive portfolio of more than 90 brands worldwide distinguishes it significantly from its competitors. In contrast, Hormel Foods Corporation operates with c.40 brands, Mondelez International with c.50, and Ferrero with c.35. The broad and diverse brand portfolio enables HSY's to capture a broader range of consumer preferences, allowing it to capitalise on the trend of rising adventurous taste palates within the industry. HSY's brand positioning strengthens its ability to appeal to evolving consumer tastes, particularly as it integrates a wider array of products through acquisitions.

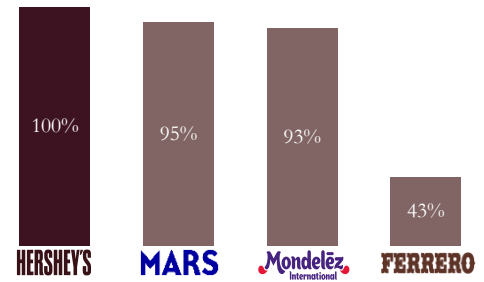
3.2 Balancing Health & Indulgence: HSY's Innovative Strategy

As consumer concerns around health and wellness grows, HSY's is actively innovating to meet the rising demand for healthier confectionery options. With over 70% of consumers aiming to reduce sugar intake, HSY's recognises the importance of "Better-For-You" (BFY) products. To address this trend, HSY's has ramped up research and development efforts, including an equity investment in Bonumose, a start-up focused on plant-based ingredients and rare sugar alternatives. In partnership with ASR Group, HSY's is working to improve the taste and texture of its zero- and reduced-sugar chocolate products, catering to evolving preferences for healthier ingredients.

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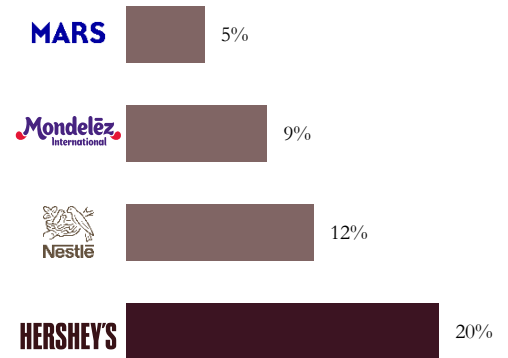
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Fig. 4.3: Supply Chain Traceability



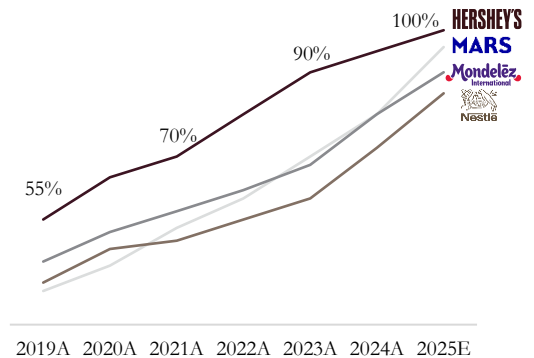
Source: Company Filings, Team Analysis

Fig. 4.4: Product Efficiency Gains



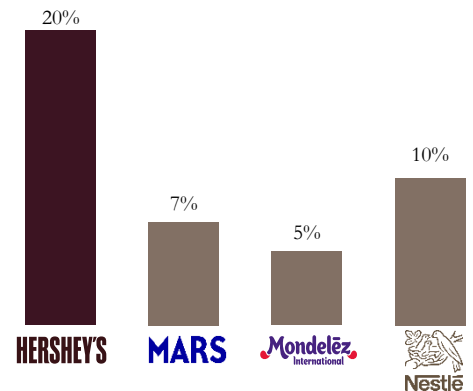
Source: TheShelbyReport

Fig. 4.5: Direct Cocoa Sourcing for Sustainable Supply Chains (%)



Source: FoodNavigator.

Fig. 4.6: Processing Time Reduction (%)



Source: supplychaindiv.

HSY's commitment to BFY products has led to the recent relaunch of the Zero Sugar line, featuring expanded packaging for its best-selling brands like Hershey's and Reese's. This relaunch has resonated with health-conscious shoppers, resulting in doubled sales and contributing an additional US\$30mn in revenue. Building on this success, HSY's is also testing products with 25% less sugar in well-known brands such as Reese's and Hershey's to assess the incremental value these reduced-sugar offerings bring to its portfolio. Beyond health-focused products, HSY's continues to expand its traditional indulgent offerings, targeting consumers who value nostalgia and comforting treats. A key example is the launch of its "Candy Shop Cocoa" line, developed in collaboration with Kent Precision Food Group. Inspired by classic flavours from popular products, such as Reese's Peanut Butter Cups and York Peppermint Pattie, this line provides an immersive, at-home experience by offering both cold and hot cocoa options, appealing to a wide consumer base year-round.

HSY's also capitalises on seasonal demand by releasing holiday-themed chocolates with festive packaging, tapping into the growing "occasional treat" market. This balanced approach, innovating both BFY and indulgent products, allows HSY's to capture a broader market. While approximately 50% of adults are actively seeking healthier snacks, less than 10% of the current confectionery market reflects BFY products, indicating significant growth potential. Innovations in low- and no-sugar, organic, and bite-sized offerings could generate up to US\$1bn in additional revenue. By embracing both ends of the indulgence-health continuum, HSY's positions itself to capture a broader audience, strengthening its market share and reinforcing its reputation as a forward-thinking brand in the confectionery industry. This strategy, fostering growth across both traditional and BFY products, is effectively creating a "bow tie" effect in the market, attracting health-focused consumers and nostalgic treat seekers alike.

3.3 Steadily Growing Profitability Through International Expansion

Across the past five years, HSY's international expansion efforts have rewarded the company with growing profitability (Fig 5.5) with sales being driven by HSY's bestsellers. Having uncovered most of the segment's success in the following geographical markets: (1) Mexico and (2) the United Kingdom ("UK"), we believe that HSY's is poised for continued profound success in its international markets due to their similar customer affinity profiles (to NA) which encompasses attention to: (1) Product quality, (2) Sustainability, and (3) A declining sensitivity to slight price changes. Coupled with HSY's custom localised strategies where relevant, HSY's stands to benefit from its presence in the international markets. Within the Mexican market, HSY's has experienced great success through price realisation of its chocolates and benefitting from the rapidly growing spicy market with its local delight, Pelón.

Extending its success, HSY's has committed US\$90mn to the installation of two high-tech production lines, expanding its production output by 25%. Presently, it also realises the operational benefits of integrating SAP S/4 HANA, through its automation capabilities and digital end-to-end connectivity across HSY's system, continuing to improve the firm's profitability. The UK commands the largest market and holds promise for HSY's. The firm has been able to penetrate the market with its illustrious brand, Reese's, which has become the fastest-growing brand for the past three years, penetrating c.17% of households. Commanding brand awareness of c.80% amongst customers and having established partnerships with major distributors; (1) Tesco, (2) Euro Food Brands, and (3) Asda, and being shelved near entrances within the retail stores, HSY's is poised for promising steady growth with strong awareness and visibility amongst customers.

Financial Analysis

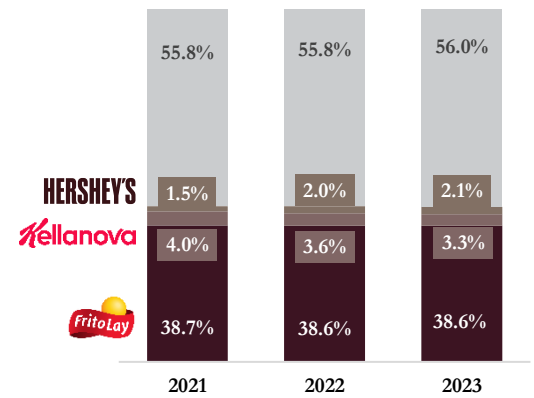
Sustaining Strong Revenue Growth Ahead

HSY's earns its revenue through two main streams: (1) North America Confectionery and (2) North America Snacks. Over the past five years, HSY's has consistently

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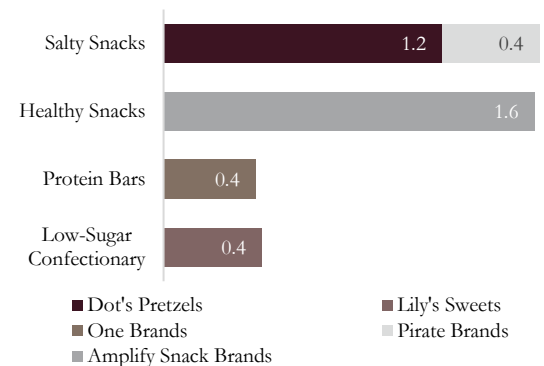
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Fig 5.1: US Salty Snacks Consumption Share



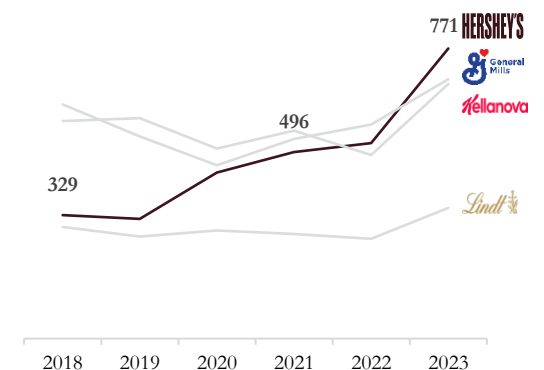
Source: Euromonitor

Fig 5.2: HSY's Acquisitions by Category (US\$ bn)



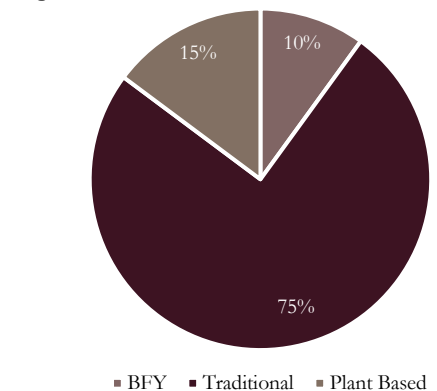
Source: Company Filings

Fig 5.3: FY24 Capital Expenditure (US\$ mn)



Source: Company Filings

Fig 5.4: Product Portfolio Breakdown



Source: Company Filings

surpassed its competitors where its consistent revenue growth has been driven by improvements in supply chain productivity and favourable price realisation of its products (Fig 6.1). With the expectation of: (1) Ongoing enhancement of brand awareness and loyalty, (2) Supply chain productivity improvements, and (3) Growth through M&A activities, we forecast HSY's revenues to grow steadily (Fig 6.2) through sales in its confectionery segment with HSY's snacks segment expected to grow at a quicker pace with increased M&A activities.

Natural Expansion in Profit Margins

Across the past five years, HSY's gross profit margins have stagnated between 43-45%. Through exercising pricing power and realising greater revenues, HSY's has been able to normalise its gross profit margins despite facing rising costs from the cocoa shortages and inflated supply chain costs.

Thus, we foresee that by: (1) Diversifying its cocoa sources and (2) Investing greatly into its supply chain, we recognise that HSY's is expected to benefit greatly in its sourcing and operations by drastically increasing savings which has led us to forecasting an overall average strengthening in EBITDA and net profit margins from FY2024 onwards (Fig 6.5).

Liquidity and Leverage Tolerance Fuels Future Expansion

Expecting an improvement in its management system (through its newly implemented ERP system) and supply chain operations, we forecast HSY's liquidity management to improve. We believe that this positions HSY's to continue to embark on additional expansion such as with its international segment.

HSY's has been able to effectively manage its debt, exhibiting Debt/EBITDA ratio of 1.52x, well below the industry average of 2.21x. With a disciplined approach to tolerating leverage and we project HSY's to pay off its existing debt and continue to grow its cash reserves. As a result, their tolerant approach to leverage positions them to actively pursue M&A activities to continue broadening its snack portfolio and capture additional market share in international territories.

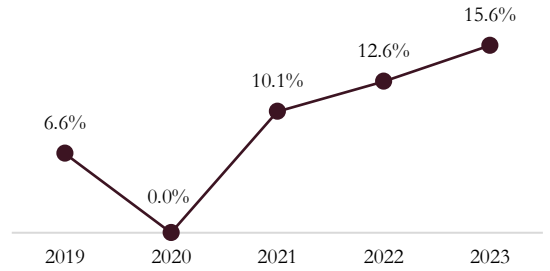
Valuation

We arrive at our target price valuation of US\$228.5 representing a 25.4% upside from the closing price of US\$182.2, based on a discounted cash flow valuation approach. To cross-check our valuation, we performed relative valuation using the median LTM EV/EBIT multiple (upside of 23.4%), derived from an analysis of comparable companies, to support our valuation.

Weighted Average Cost of Capital (WACC)

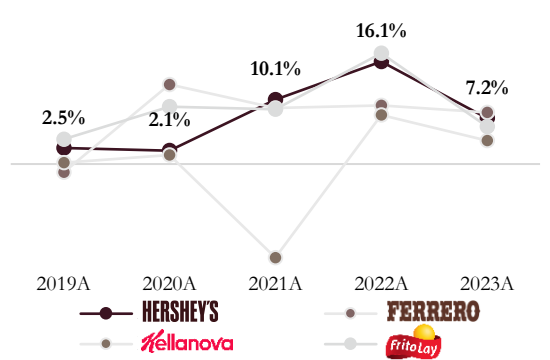
We utilised the capital asset pricing model (CAPM) to derive HSY's cost of equity (COE). With a substantial portion of revenues being derived from the United States,

Fig. 5.5: Net Profit Margin International Segment



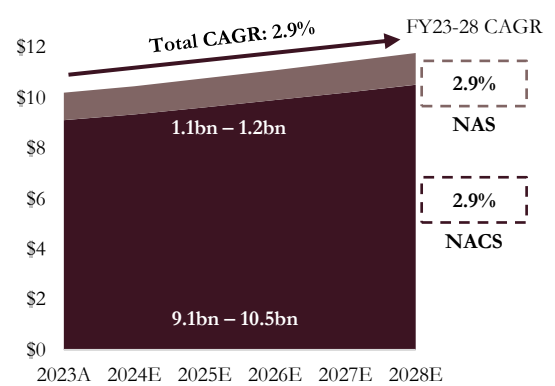
Source: Company Filings, Team Analysis

Fig. 6.1: Revenue Growth Rates (%)



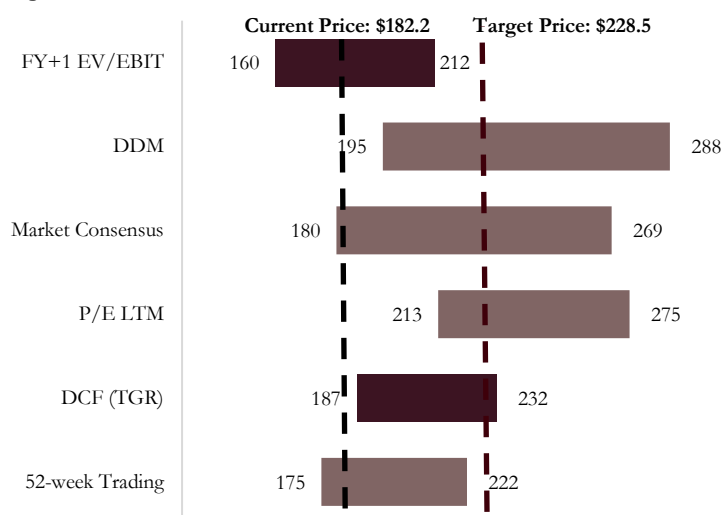
Source: Company Filings, S&P Capital IQ

Fig. 6.2: Revenue by Segment (US\$ bn)



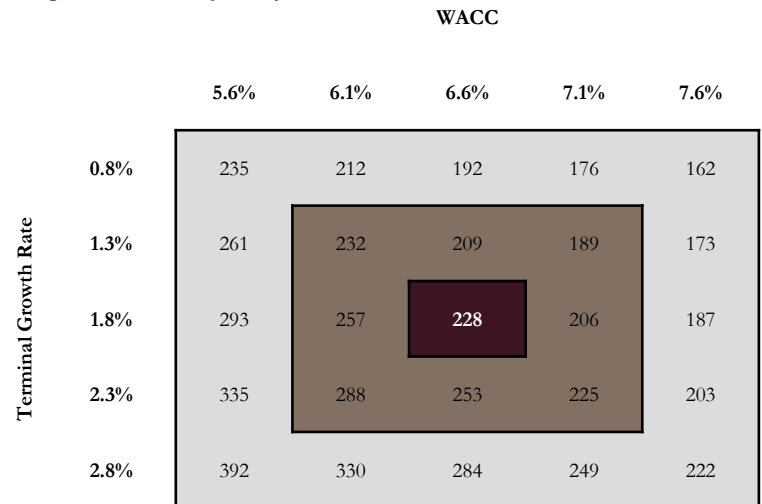
Source: Team Analysis

Fig. 6.3: Football Field Chart



Source: Team Analysis, S&P Capital IQ

Fig. 6.4: Sensitivity Analysis



Source: Team Analysis

we assumed a risk-free rate of 4.5% based on the United States 10-year treasury yield as of 28 October 2024. To derive HSY's beta, we utilised a bottom-up approach, based on their peer-comparable median unlevered beta and applied Hamada's equation, leading us to a beta of 0.51x. Finally, both equity and country risk premiums were calculated through a blended-by-revenue approach utilising premiums found in Damodaran's dataset. COE was calculated to be 6.83% (Fig 7.1).

As for the cost of debt (COD), we determined HSY's pre-tax cost of debt by taking the risk-free rate as at the valuation date and adding the credit spread cited from Damodaran based on HSY's interest coverage ratio. Subsequently, the tax shield using the United States marginal tax rate of 21% was applied, deriving a COD of 4.36%. Applying a market debt-to-equity ratio of 12.7%, we derived a WACC of 6.55%.

Discounted Cash Flow (DCF) Model

We performed a 5-year DCF analysis on HSY's as our main valuation methodology. DCF is helpful in the analysis of HSY's as it considers expected future cash flows and incorporates growth and risk factors as well. We utilised a terminal growth rate of 1.80% as this is in line with the long-term gross domestic product (GDP) growth rate of the United States (Fig 7.2). By factoring in an increasing bottom-line and strong top-line growth from expansion into other the US savoury snacks market, international markets, and steady growth in the US confectionery market, we derived an implied share price of US\$228.5 representing an upside of 25.4%.

Relative Valuation, Football Field, and Sensitivity Analysis

We performed a relative valuation using the median LTM EV/EBIT multiple to support our valuation, deriving a target price of US\$224.9, representing a 23.4% upside. Even by remaining conservative with our assumptions and using the median LTM EV/EBIT multiple, this supports our main valuation approach.

Our football field and sensitivity analysis by varying the assumed perpetual growth rate and WACC reaffirmed our target price as well. All predicted share prices based on our sensitivity analysis reflect an upside.

Investment Risks

Geopolitical Risk (G1) – Heightened Political Tensions

Probability: Medium | Impact: High

HSY's relies heavily on sourcing a diverse array of raw materials from various regions, such disruptions could hinder ingredient availability and complicate logistics. Not only could these interruptions lead to increased sourcing and transportation costs, but they may also cause delays or shortages of essential ingredients, affecting HSY's production timelines and its ability to meet demand. Furthermore, heightened geopolitical risks could dampen consumer confidence and weaken demand in affected markets, adding pressure on HSY's margins and overall profitability. In such a scenario, HSY's could face increased difficulty in sustaining its pricing strategies, while its profit margins may erode due to rising costs of raw materials and potential currency fluctuations in politically volatile regions.

G1 Mitigation

To mitigate these risks, HSY's has implemented a strategy focused on diversification, sourcing ingredients from multiple regions to reduce dependency on any single country or market. Further, strengthening local partnerships and operations, HSY's continues to build resilience against potential geopolitical and climate disruptions. This approach mitigates risks associated with political tensions and enables greater flexibility in adjusting its supply chains as situations evolve.

Business Risk (B1) – Upsurging Cocoa Prices from Shortages

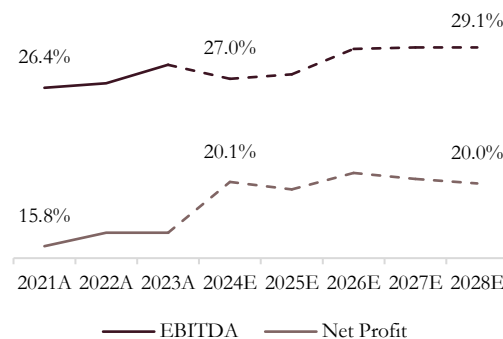
Probability: High | Impact: High

With global cocoa demand surging due to rising consumption, combined with climate-related challenges impacting cocoa production, cocoa prices have been under significant upward pressure. For HSY's, the volatility in cocoa costs adversely affect margins and drives up its direct expenses, especially as consumers are price-sensitive and may resist price increases. In response to higher cocoa prices, HSY's might be compelled to raise product prices, which could dampen consumer demand

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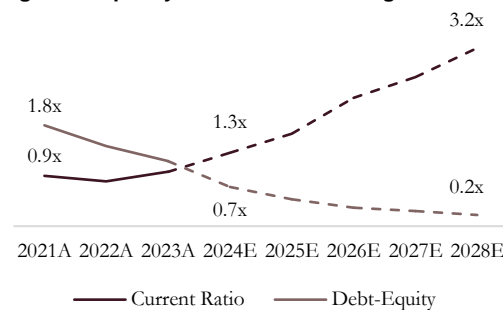
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Fig. 6.5: Forecasted EBITDA & Net Profit Margins



Source: Team Analysis

Fig. 6.6: Liquidity and Debt Positioning



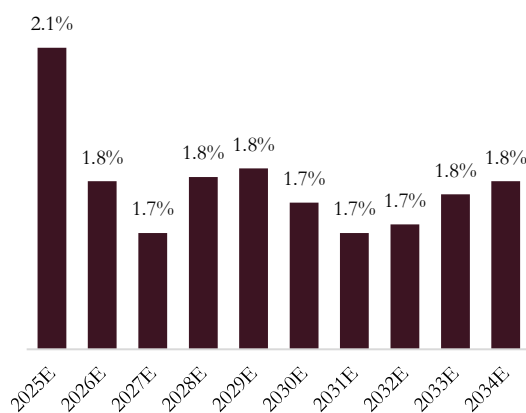
Source: Team Analysis

Fig. 7.1: Weighted Average Cost of Capital

Cost of Equity	6.83%
Risk-Free Rate	4.50%
Beta	0.51
Equity Risk Premium	4.60%
Cost of Debt	4.36%
Pre-tax Cost of Debt	5.52%
Default Spread	1.02%
WACC	6.55%

Source: Company Filings, Damodaran, S&P Capital IQ

Fig. 7.2: United States' Forecasted GDP Growth Rate



Source: S&P Capital IQ

and drive customers towards lower-cost alternatives. Additionally, this increase in cocoa costs introduces potential pressure on HSY's premium brand positioning, as passing on these costs could affect product affordability, ultimately impacting market share and revenue growth.

B1 Mitigation

To manage cocoa price volatility, HSY's exercises its favourable pricing power and incorporates sustainable practises across its supply chain, securing more predictable costs and hedge on cocoa forwards. Additionally, HSY's can focus on cost-saving measures and enhancing operational efficiencies to counterbalance rising ingredient expenses. HSY's has pursued a US\$100mn cost-savings initiative aimed at sustaining profitability without compromising product accessibility.

Business Risk (B2) – Legislative Pressure on Ingredients

Probability: Medium | Impact: Medium

As global regulations shift toward stricter sustainability requirements, HSY's may be required to reformulate certain products to meet evolving standards. Such adjustments could lead to increased costs and operational complexity. This pressure could increase overhead expenses and add regulatory compliance burdens. Furthermore, delays in adapting to these regulatory changes may lead to reputational risks if HSY's is perceived as non-compliant or unsustainable, which could impact brand loyalty, especially among consumers prioritising eco-conscious purchases.

B2 Mitigation

HSY's has already begun addressing these challenges by developing robust compliance programmes to stay ahead of regulatory requirements and investing in sustainable practices that align with both regulatory standards and consumer preferences. The company has adopted flexible recipes that allow for adjustments based on ingredient availability and regulatory changes, which enhances its adaptability to new standards. These efforts place HSY's in a proactive position to manage legislative shifts effectively, reducing the likelihood of significant operational disruptions while aligning with evolving market expectations.

Environment, Social, and Governance

In contrast to its peers, HSY's exhibits a greater sustainability score pertaining to operations, HSY's aligns its ESG initiatives along its supply chain and focuses on the following areas through Cocoa for Good strategy.

Environment

HSY's prevents deforestation through partnerships with the local authorities to address access to land and land titling. HSY's investment in solar Power Purchase Agreements has enabled it to source 80% of its energy from zero-emission sources to date. HSY's also actively engages in the preservation of nature reserves through active protection and the planting of 1mn trees since 2017. Finally, HSY's has actively introduced eco-friendly packaging. To illustrate, it has converted 19 of its offerings to using mono-material film to ease their recycling processes after consumption and aims to eliminate 25mn lbs of packaging waste by 2030

Social

HSY's firm beliefs its people are of utmost importance to HSY. It allows for HSY's to drive innovation, improve its decision-making, and output greater performance. This has led HSY's to achieve gender pay equity and 48.2% women representation across employees globally. Additionally, the firm is also on track to achieve its goal of 30-40% people of colour representation across U.S. employees (currently c.29%). In addition to its efforts of equality, HSY's also ensures safety through its comprehensive training programme. To date, HSY's has achieved c.25% hazard reduction for job functions with ergonomic risks.

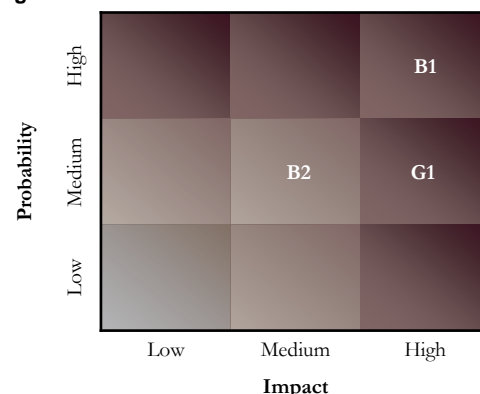
Governance

HSY's management team consist of 10 members who possess deep industry expertise across their careers. Along with its extensive expertise, HSY's places a strong focus on accountability and upholding ethical standards. To accomplish this, HSY's has established various committees to assess the performance of the CEO, executives, and departments to ensure proper conduct and performance.

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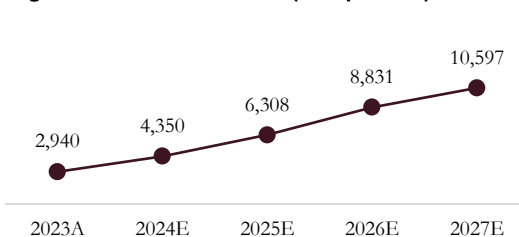
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Fig. 8.1: Risk Matrix



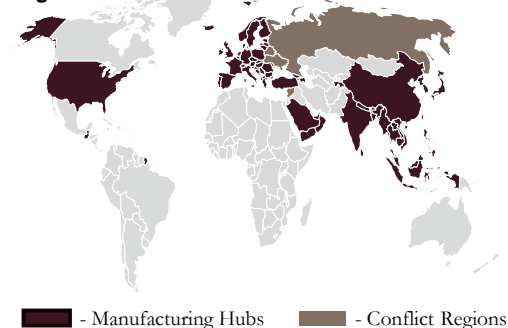
Source: Team Analysis

Fig. 8.2: Cocoa Price Trend (US\$ per Ton)



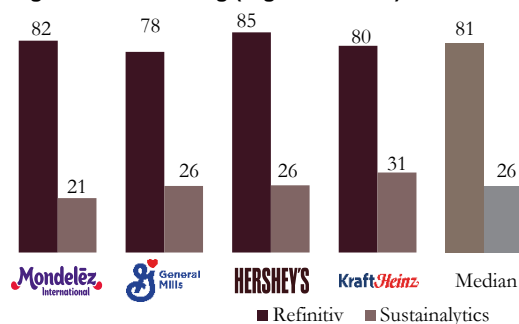
Source: Company Analysis

Fig. 8.3: Manufacturing Facilities and Conflict Regions



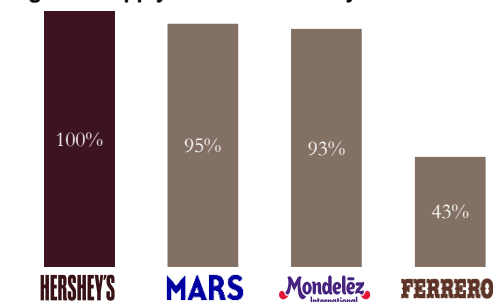
Source: Company Filings, Team Analysis

Fig. 9.1: ESG Scoring (Higher = Better)



Source: Refinitiv & Sustainalytics

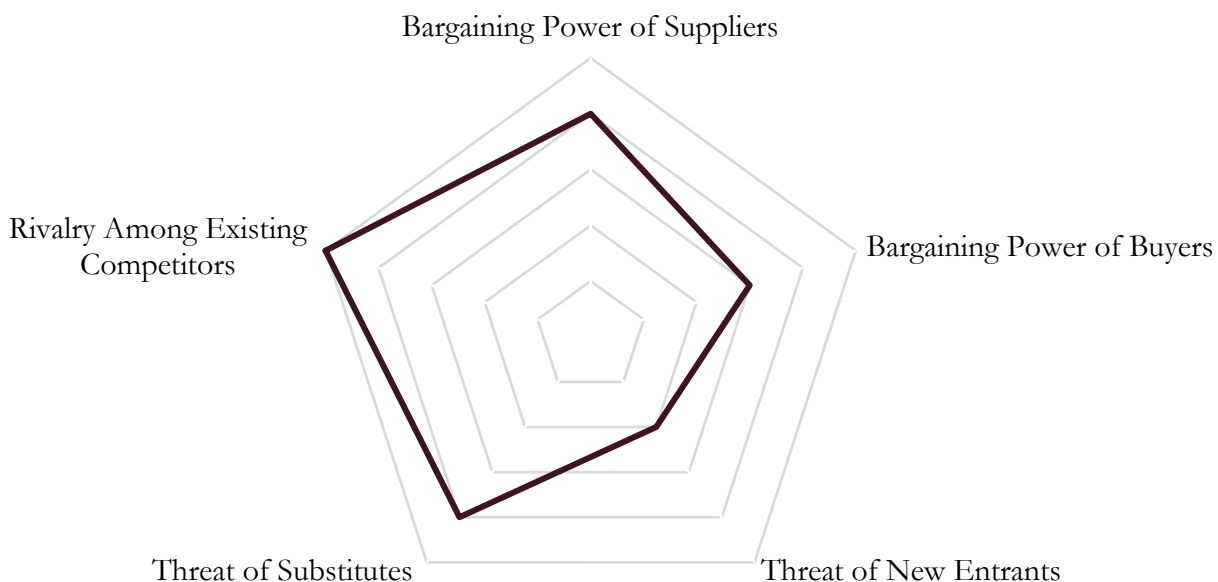
Fig. 8.2: Supply Chain Traceability



Source: Company Filings

List of Appendices

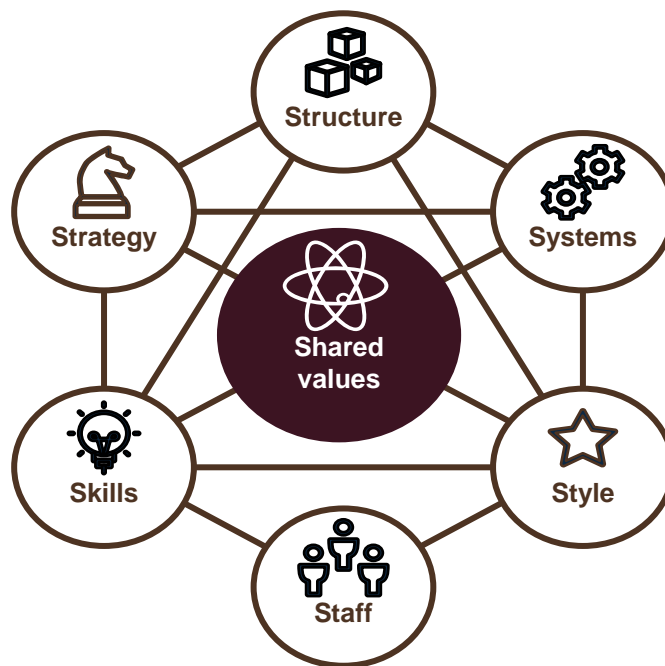
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Overview

Porter's Five Forces framework helps assess the competitive dynamics within an industry. For Hershey, this analysis provides insights into the forces that shape its strategic decisions.

Porter Five Forces		
Bargaining Power of Suppliers	4	Supplier power is quite high, given Hershey's reliance on essential and volatile commodities like cocoa and sugar, where sourcing options are limited. Supply chain disruptions or commodity price increases can substantially impact costs, even with hedging strategies in place.
Bargaining Power of Buyers	3	Buyers exert moderate pressure on Hershey. Consumers can be price-sensitive, and large retailers possess some negotiating power. Hershey's strong brand and consumer loyalty help mitigate this pressure, but the availability of alternative brands and products keeps this force moderate.
Threat of New Entrants	2	The high costs of entry, Hershey's brand loyalty, and established distribution networks create significant barriers for new entrants. While niche, health-focused brands may enter on a small scale, they pose limited immediate threat to Hershey's core business.
Threat of Substitutes	4	The shift towards healthier and more premium snacking options presents a significant substitute threat. As consumer tastes evolve, Hershey faces increasing pressure to diversify its offerings beyond traditional confectionery to maintain market relevance.
Rivalry Among Existing Competitors	5	The confectionery industry is super competitive, with major players like Mars, Mondelez, and Nestlé fiercely competing through price promotions, marketing, and frequent product innovations. Hershey must continuously invest in brand differentiation to retain its market position, making rivalry intense.



Overview

The McKinsey 7S Framework provides a holistic approach to ensure that all aspects of the organization are aligned and support strategic initiatives.

McKinsey 7s Framework		
Strategy	Innovation Focus	Hershey should prioritise innovation in health-conscious and premium product lines to meet evolving consumer preferences and capture emerging market trends. This is to ensure continuous growth in the market.
Structure	Agile Organisation	Implement a flexible organizational structure that fosters cross-functional collaboration, enabling quicker decision-making and responsiveness to market changes.
Systems	Data-Driven Decisions	Invest in data analytics systems for market research and consumer insights, enhancing product development and targeted marketing strategies.
Style	Collaborative Leadership	Foster a leadership style that encourages innovation and employee engagement, creating an environment where new ideas can flourish.
Staff	Talent Development	Focus on attracting and retaining top talent through continuous training and professional development programs, enhancing overall organisational capability.
Skills	Marketing Expertise	Build marketing skills to effectively communicate new product offerings and enhance brand storytelling, particularly for health-oriented products.
Shared Values	Sustainability Commitment	Promote a corporate culture centred around sustainability and social responsibility, aligning with consumer values and enhancing brand loyalty.

Appendix C Developing a Clear Vision with SWOT Analysis

SWOT Analysis	
Strength	The Hershey Co holds a dominant position in the U.S. confectionery market, capturing majority of the chocolate segment. With over 100 well-recognised brands, including Reese's and Kit Kat, the company enjoys strong brand equity, which allows for premium pricing and high consumer loyalty. Strategic acquisitions, such as Amplify Snack Brands, have diversified Hershey's portfolio, bolstering its competitive advantage and reducing reliance on traditional confectionery lines.
Weakness	Hershey's substantial dependency on the North American market remains a vulnerability, with the region accounting for the majority of its sales. This geographic concentration exposes the company to regional economic shifts and limits its growth prospects. Although efforts to expand internationally are underway, non-U.S. sales remain minimal, highlighting the need for a more assertive global strategy to capture emerging market opportunities.
Opportunity	Expanding internationally presents a significant growth opportunity for Hershey, particularly in high-potential regions like Brazil, India, and Mexico. Additionally, the company can leverage consumer trends in health-conscious snacking and premium products by diversifying its offerings. Further investments in innovation and product development can attract new consumers and solidify Hershey's position in adjacent categories.
Threat	Hershey faces competitive pressure from both major players and niche brands within the confectionery sector, driving the need for ongoing product innovation and brand relevance. The company is also exposed to commodity price volatility, particularly for cocoa, dairy, and sugar. Such fluctuations can impact profitability despite hedging efforts, necessitating agile cost management and pricing adjustments.

The Hershey Co's strong brand power and established market presence underscore its resilience in the competitive confectionery industry. While its dominant position in the U.S. market and financial stability are clear strengths, reliance on North America and exposure to commodity price fluctuations present challenges. Strategic international expansion, innovation, and cost management will be essential for Hershey to sustain growth, mitigate risks, and enhance profitability in a dynamic market landscape. By leveraging its robust brand portfolio and adapting to consumer trends, Hershey is well-positioned to capture new opportunities and strengthen its global footprint.

Appendix D Adapting and Evolving using PESTEL Analysis

PESTEL Analysis	
Political	Regulatory Environment: Hershey operates in various countries and must comply with local laws and regulations, including food safety standards and health regulations. Changes in these laws can affect production processes and costs. Trade Policies: Tariffs and trade agreements influence Hershey's ability to source raw materials and distribute its products globally. Political tensions can also impact the supply chain.
Economic	Consumer Spending: Economic downturns can lead to reduced discretionary spending on confectionery products. Conversely, a growing economy may boost sales. Commodity Prices: Fluctuations in cocoa prices and other raw materials significantly affect production costs and profit margins.
Social	Health Consciousness: There is a growing trend towards healthier eating, which may shift consumer preferences away from traditional confectionery products. Hershey is responding by diversifying its product range to include healthier options. Corporate Social Responsibility (CSR): Increasing consumer demand for ethical and sustainable practices has pushed Hershey to enhance its ESG initiatives, focusing on sustainable sourcing and environmental protection.
Technological	Innovation in Production: Advances in technology can lead to improved production efficiencies and product innovations. Hershey invests in technology to enhance its manufacturing processes and supply chain management. E-commerce Growth: The rise of online shopping has transformed retail, prompting Hershey to strengthen its e-commerce strategy and partnerships with online retailers.
Environmental	Sustainability Initiatives: Hershey faces pressure to reduce its environmental impact. The company is actively investing in sustainable practices, such as reducing packaging waste and sourcing cocoa sustainably. Climate Change: The impact of climate change on agricultural production poses risks to the supply of key ingredients, necessitating adaptive strategies from Hershey.
Legal	Intellectual Property: Protecting its brand and products through trademarks and patents is crucial for Hershey in a competitive market. Litigation Risks: Like any large corporation, Hershey faces potential lawsuits related to product liability, employment practices, and environmental regulations.

Hershey operates in a dynamic environment influenced by various external factors outlined in the PESTEL analysis. Political stability, economic conditions, and consumer preferences shape the company's strategic direction. To maintain its competitive advantage and ensure long-term growth, Hershey must navigate regulatory challenges, adapt to shifting consumer behaviours towards healthier and sustainable products, and leverage technological advancements. By focusing on sustainability and innovation while managing economic and social pressures, Hershey is well-positioned to thrive in the global confectionery market.

Appendix E Revenue & Statement of Financial Income Forecast										
Hershey's	Historical					Forecasted				
	1/1/19 12/31/19	1/1/20 12/31/20	1/1/21 12/31/21	1/1/22 12/31/22	1/1/23 12/31/23	1/1/24 12/31/24	1/1/25 12/31/25	1/1/26 12/31/26	1/1/27 12/31/27	1/1/28 12/31/28
For the Financial Year Ending 31 December	365	366	365	365	365	366	365	365	365	366
All figures are expressed in USD Millions										
Revenue	\$7,986	\$8,150	\$8,971	\$10,419	\$11,165	\$11,981	\$12,874	\$13,851	\$14,923	\$16,102
COGS	(\$4,364)	(\$4,448)	(\$4,923)	(\$5,921)	(\$6,167)	(\$6,601)	(\$7,132)	(\$7,715)	(\$8,357)	(\$9,066)
Revenue										
Total Revenue	\$7,986	\$8,150	\$8,971	\$10,419	\$11,165	\$11,981	\$12,874	\$13,851	\$14,923	\$16,102
<u>USA</u>	\$7,225	\$7,522	\$8,237	\$9,565	\$10,215	\$10,890	\$11,620	\$12,411	\$13,268	\$14,200
North America Confectionery	\$6,815	\$7,084	\$7,682	\$8,536	\$9,123	\$9,627	\$10,158	\$10,719	\$11,311	\$11,936
Price	\$3.79	\$3.92	\$4.16	\$4.56	\$4.66	\$4.83	\$5.00	\$5.19	\$5.37	\$5.57
Bull						\$5.10	\$5.59	\$6.12	\$6.70	\$7.34
Base						\$4.83	\$5.00	\$5.19	\$5.37	\$5.57
Bear						\$4.73	\$4.80	\$4.88	\$4.95	\$5.03
Units Sold	1800	1806	1845	1872	1958	1994	2030	2067	2105	2143
Bull						2049	2143	2242	2345	2453
Base						1994	2030	2067	2105	2143
Bear						1964	1970	1976	1982	1988
North America Snacks	\$410	\$438	\$555	\$1,029	\$1,092	\$1,263	\$1,462	\$1,691	\$1,957	\$2,264
Price	\$5.06	\$5.25	\$5.57	\$6.10	\$6.23	\$6.46	\$6.69	\$6.93	\$7.19	\$7.45
Bull						\$6.82	\$7.47	\$8.19	\$8.97	\$9.82
Base						\$6.46	\$6.69	\$6.93	\$7.19	\$7.45
Bear						\$6.33	\$6.42	\$6.52	\$6.62	\$6.72
Units Sold	81	83	100	169	175	196	218	244	272	304
Bull						297	502	850	1439	2436
Base						196	218	244	272	304
Bear						181	186	192	198	204
<u>International</u>	\$761	\$626	\$733	\$853	\$949	\$1,091	\$1,253	\$1,440	\$1,655	\$1,902
Price	\$7.60	\$7.79	\$7.98	\$8.38	\$8.97	\$9.60	\$10.27	\$10.99	\$11.76	\$12.58
Bull						\$9.87	\$10.85	\$11.94	\$13.13	\$14.45
Base						\$9.60	\$10.27	\$10.99	\$11.76	\$12.58
Bear						\$9.19	\$9.42	\$9.66	\$9.90	\$10.15
Units Sold	100	80	92	102	106	114	122	131	141	151
Bull						121	138	158	180	206
Base						114	122	131	141	151
Bear						108	116	125	134	144
Cost of Sales										
Total Cost of Sales	(\$4,364)	(\$4,448)	(\$4,923)	(\$5,921)	(\$6,167)	(\$6,601)	(\$7,132)	(\$7,715)	(\$8,357)	(\$9,066)
% of sales	54.64%	54.58%	54.87%	56.82%	55.24%	55.10%	55.40%	55.70%	56.00%	56.30%
Bull						54.58%	54.68%	54.78%	54.88%	54.98%
Base						55.10%	55.40%	55.70%	56.00%	56.30%
Bear						56.82%	57.82%	58.82%	59.82%	60.82%

Appendix E Revenue & Statement of Financial Income Forecast

Cost of Sales

	(\$4,364)	(\$4,448)	(\$4,923)	(\$5,921)	(\$6,167)	(\$6,298)	(\$6,453)	(\$6,636)	(\$6,824)	(\$7,017)
Total Cost of Sales										
<i>% of sales</i>	54.64%	54.58%	54.87%	56.82%	55.24%	55.10%	54.80%	54.70%	54.60%	54.50%
Bull						54.58%	54.38%	54.18%	53.98%	53.78%
Base						55.10%	54.80%	54.70%	54.60%	54.50%
Bear						56.82%	57.32%	57.82%	58.32%	58.82%
Cost per Item	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.68	\$2.86	\$3.06	\$3.28
Bull						\$2.50	\$2.75	\$3.03	\$3.33	\$3.66
Base						\$2.50	\$2.68	\$2.86	\$3.06	\$3.28
Bear						\$2.50	\$2.56	\$2.63	\$2.69	\$2.76
Units		0	0	0	0	0	0	0	0	0
Bull						0	0	0	0	0
Base						0	0	0	0	0
Bear						0	0	0	0	0

Appendix E Revenue & Statement of Financial Income Forecast

Operating Expenditures

Selling, General & Administrative	(1,577)	(1,558)	(1,640)	(1,667)	(1,829)	(\$1,999)	(\$2,052)	(\$1,917)	(\$1,984)	(\$2,053)
% of sales	19.75%	19.12%	18.28%	16.00%	16.38%					
						18.28%	18.28%	18.28%	18.28%	18.28%
Bull						16.0%	16.1%	16.2%	16.3%	16.4%
Base						18.3%	18.3%	18.3%	18.3%	18.3%
Bear						19.7%	20.7%	21.7%	22.7%	23.7%
YoY %		-1.19%	5.21%	1.69%	9.69%					
Max										
Average										
Median										
Min										
Research & Development	(\$37)	(\$38)	(\$40)	(\$47)	(\$50)	(\$51)	(\$53)	(\$55)	(\$56)	(\$58)
% of sales	0.47%	0.46%	0.45%	0.45%	0.45%					
						0.45%	0.45%	0.45%	0.45%	0.45%
Bull						0.45%	0.47%	0.49%	0.51%	0.53%
Base						0.45%	0.45%	0.45%	0.45%	0.45%
Bear						0.47%	0.56%	0.65%	0.74%	0.83%
Research & Development	\$37	\$38	\$40	\$47	\$50					
YoY %		1.16%	6.73%	17.04%	6.58%					
Max										
Average										
Median										
Min										
Tax Expense	(\$234)	(\$220)	(\$314)	(\$272)	(\$310)	(\$322)	(\$325)	(\$352)	(\$357)	(\$361)
% of EBT	14.66%	12.32%	15.38%	12.04%	12.11%					
						12.3%	12.3%	12.3%	12.3%	12.3%
Bull						11.8%	11.8%	11.8%	11.8%	11.8%
Base						12.3%	12.3%	12.3%	12.3%	12.3%
Bear						13.3%	13.3%	13.3%	13.3%	13.3%

Appendix F Supporting Schedules

Hershey's	Historical					Forecasted				
	1/1/19	1/1/20	1/1/21	1/1/22	1/1/23	1/1/24	1/1/25	1/1/26	1/1/27	1/1/28
For the Financial Year Ending 31 December	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28
All figures are expressed in USD Millions unless specified	365	366	365	365	365	366	365	365	365	366
Revenue	\$7,986	\$8,150	\$8,971	\$10,419	\$11,165	\$11,429	\$11,775	\$12,131	\$12,498	\$12,875
COGS	(\$4,364)	(\$4,448)	(\$4,923)	(\$5,921)	(\$6,167)	(\$6,298)	(\$6,453)	(\$6,824)	(\$6,824)	(\$7,017)
Operating Expenditure	(\$1,614)	(\$1,596)	(\$1,680)	(\$1,714)	(\$1,879)	(\$2,050)	(\$2,105)	(\$1,972)	(\$2,040)	(\$2,111)
	0.02046855	0.1008155	0.16139813	0.07156896	0.02369023	0.030225	0.030225	0.030225	0.030225	

Working Capital Schedule										
Accounts Receivable	\$569	\$615	\$671	\$711	\$824	\$829	\$857	\$883	\$909	\$934
AR Days	25.98	27.63	27.32	24.91	26.93	26.55	26.55	26.55	26.55	26.55
Inventories	\$815	\$964	\$989	\$1,173	\$1,341	\$1,282	\$1,317	\$1,354	\$1,393	\$1,428
Inventory Days	68.19	79.33	73.29	72.32	79.37	74.50	74.50	74.50	74.50	74.50
Prepaid Expenses	\$84	\$96	\$129	\$144	\$228	\$162	\$166	\$155	\$161	\$166
% of Operating Expenditure	5.21%	5.99%	7.70%	8.39%	12.11%	7.88%	7.88%	7.88%	7.88%	7.88%
Other Current Assets	\$156	\$159	\$128	\$128	\$118	\$174	\$179	\$185	\$190	\$196
% of Revenue	1.95%	1.95%	1.42%	1.23%	1.06%	1.52%	1.52%	1.52%	1.52%	1.52%
Long-Term Investments	–	\$52	\$93	\$133	\$207	\$207	\$207	\$207	\$207	\$207
% of Revenue	0.00%	0.64%	1.04%	1.28%	1.86%	0.96%	0.96%	0.96%	0.96%	0.96%
Other Long-Term Assets	\$137	\$92	\$163	\$165	\$186	\$181	\$186	\$192	\$198	\$204
% of Revenue	1.72%	1.12%	1.81%	1.59%	1.67%	1.58%	1.58%	1.58%	1.58%	1.58%
Accounts Payable	\$551	\$580	\$692	\$971	\$1,086	\$927	\$952	\$979	\$1,007	\$1,032
AP Days	46.07	47.72	51.33	59.84	64.28	53.85	53.85	53.85	53.85	53.85
Accrued Expenses	\$673	\$745	\$819	\$801	\$833	\$955	\$979	\$1,007	\$1,035	\$1,065
% of COGS	15.43%	16.75%	16.64%	13.52%	13.51%	15.17%	15.17%	15.17%	15.17%	15.17%
Other Non-Current Liabilities	\$202	\$207	\$246	\$250	\$264	\$287	\$296	\$305	\$314	\$324
% of Revenue	2.52%	2.54%	2.74%	2.40%	2.36%	2.51%	2.51%	2.51%	2.51%	2.51%
Pension & Other Post-Retire. Benefits	\$270	\$294	\$231	\$175	\$120	\$268	\$275	\$257	\$266	\$275
% of SGA	17.12%	18.88%	14.07%	10.49%	6.54%	13.42%	13.42%	13.42%	13.42%	13.42%

Property, Plant, and Equipment Schedule										
Gross PPE Balance					\$6,757	\$7,244	\$7,779	\$8,329	\$8,897	\$9,481
Machinery and Equipment						\$283	\$310	\$320	\$330	\$340
Buildings and Related Improvements						\$176	\$194	\$199	\$205	\$212
ROU Assets						\$28	\$30	\$31	\$32	\$33
Total Accumulated Depreciation					(\$3,139)	(\$3,704)	(\$4,311)	(\$4,961)	(\$5,657)	(\$6,398)
Total Capital Expenditure					\$771	\$487	\$534	\$551	\$567	\$584
Machinery and Equipment						\$283	\$310	\$320	\$330	\$340
Buildings and Related Improvements						\$176	\$194	\$199	\$205	\$212
ROU Assets						\$28	\$30	\$31	\$32	\$33
Total Depreciation						\$565	\$607	\$650	\$695	\$742
Machinery and Equipment						\$460	\$495	\$530	\$567	\$605
Buildings and Related Improvements						\$78	\$84	\$90	\$96	\$103
ROU Assets						\$26	\$28	\$30	\$32	\$34

PPE Capital Expenditure Schedule										
PPE Category	Useful Life (Years)	Value (USD '000)	Weight							
Machinery and Equipment	 N/A N/A									
Buildings and Related Improvements										
ROU Assets										
Land										
Capital Expenditure		442	496	519	771	588	644	664	684	705
% of Revenue		5%	6%	5%	7%	5.47%	5.47%	5.47%	5.47%	5.47%
Software		56	34	88	144	87	95	98	101	104
% of CapEx		13%	7%	17%	19%	14.81%	14.81%	14.81%	14.81%	14.81%
Capital Expenditure to PPE		386	462	431	627	500	549	566	583	600

Machinery and Equipment										
Capital Expenditure to Machinery and Equipment						283	310	320	330	340
Existing Assets Depreciation						429	429	429	429	429
New Machinery and Equipment										
				2024	283	31	31	31	31	31
				2025	310	34	34	34	34	34
				2026	320	36	36	36	36	36
				2027	330	37	37	37	37	37
				2028	340	38	38	38	38	38
Total Depreciation						460	495	530	567	605

Hershey's	Historical					Forecasted					
	1/1/19	1/1/20	1/1/21	1/1/22	1/1/23	1/1/24	1/1/25	1/1/26	1/1/27	1/1/28	
	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	
For the Financial Year Ending 31 December	365	366	365	365	365	366	365	365	365	366	
All figures are expressed in USD Millions unless specified											
Buildings and Related Improvements											
Capital Expenditure to Buildings and Related Improvements						176	194	199	205	212	
Existing Assets Depreciation						73	73	73	73	73	
New Buildings and Related Improvements					2024	176	5	5	5	5	
					2025	194	6	6	6	6	
					2026	189	6	6	6	6	
					2027	205	6	6	6	6	
					2028	212	6	6	6	6	
Total Depreciation						78	84	90	96	103	
ROU Assets											
Capital Expenditure to ROU Assets						28	30	31	32	33	
ROU Assets		\$315	\$312	\$424	\$399	\$378					
Operating Lease Assets		\$221	\$224	\$352	\$326	\$308					
% of ROU Assets		70.1%	71.8%	82.9%	81.9%	81.5%	82.1%	82.1%	82.1%	82.1%	
Finance Lease Assets		\$94	\$88	\$72	\$72	\$70					
% of ROU Assets		29.9%	28.2%	17.1%	18.1%	18.5%	17.9%	17.9%	17.9%	17.9%	
Operating Lease Assets											
Capital Expenditure to Operating Lease Assets						23	25	26	26	27	
Weighted Average Useful Life (Years)											
Existing Assets Depreciation						21	21	21	21	21	
New Buildings and Related Improvements					2024	23	2	2	2	2	
					2025	25	2	2	2	2	
					2026	25	2	2	2	2	
					2027	26	2	2	2	2	
					2028	27	2	2	2	2	
Total Depreciation						23	25	26	28	30	
Finance Lease Assets											
Capital Expenditure to Finance Lease Assets						5	5	6	6	6	
Weighted Average Useful Life (Years)											
Existing Assets Depreciation						3	3	3	3	3	
New Buildings and Related Improvements					2024	5	0	0	0	0	
					2025	5	0	0	0	0	
					2026	6	0	0	0	0	
					2027	6	0	0	0	0	
					2028	6	0	0	0	0	
Total Depreciation						3	3	3	4	4	
Other Intangibles Schedule											
Other Intangibles, Net						\$2,239	\$2,237	\$2,224	\$2,194	\$2,147	\$2,082
Computer Software						\$2,239	(\$2)	(\$13)	(\$30)	(\$47)	(\$65)
Computer Software Useful Life (Years)		\$154	\$188	\$261	\$320	\$360					
Capital Expenditure to Computer Software						87	95	98	101	104	
Existing Assets Amortization						72	72	72	72	72	
New Computer Software					2024	87	17	17	17	17	
					2025	95	19	19	19	19	
					2026	98	20	20	20	20	
					2027	101	20	20	20	20	
					2028	104	21	21	21	21	
Total Amortization						89	109	128	148	169	

Hershey's	Historical					Forecasted				
	1/1/19	1/1/20	1/1/21	1/1/22	1/1/23	1/1/24	1/1/25	1/1/26	1/1/27	1/1/28
	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28
For the Financial Year Ending 31 December	365	366	365	365	365	366	365	365	365	366
All figures are expressed in USD Millions unless specified										

Lease Liabilities Schedule

Year	Operating	Financing
2024	44,708	10,240
2025	31,395	8,651
2026	26,669	5,442
2027	26,063	4,288
2028	25,064	4,189
Thereafter	243,161	137,877
Total	397,060	170,687

	1/1/21	1/1/22	1/1/23	1/1/24	1/1/25	1/1/26	1/1/27	1/1/28
Current Portion	\$33	\$41	\$39	\$36	\$40	\$55	\$40	\$32
Operating Lease	\$29	\$37	\$36	\$32	\$34	\$45	\$31	\$27
Finance Lease	\$4	\$5	\$3	\$4	\$6	\$10	\$9	\$5
Non-Current Portion	\$260	\$258	\$377	\$364	\$348	\$385	\$411	\$431
Operating Lease	\$184	\$182	\$311	\$295	\$277	\$301	\$323	\$337
Finance Lease	\$76	\$76	\$66	\$69	\$70	\$84	\$88	\$94
Total	\$293	\$299	\$416	\$400	\$388	\$440	\$451	\$464

Operating Leases

Weighted Average Useful Life
Interest Rate

Current Portion	\$29	\$37	\$36	\$32	\$34	\$45	\$31	\$27	\$26	\$25
Non-Current Portion	\$184	\$182	\$311	\$295	\$277	\$301	\$323	\$337	\$348	\$360
Total	\$213	\$218	\$347	\$327	\$312	\$345	\$354	\$364	\$374	\$385
% of COGS	4.9%	4.9%	7.1%	5.5%	5.1%	5.5%	5.5%	5.5%	5.5%	5.5%
Total Lease Required						\$345	\$354	\$364	\$374	\$385
Additional Lease Required						\$68	\$53	\$41	\$37	\$37
Interest Expense on Operating Leases						(\$12)	(\$12)	(\$13)	(\$13)	(\$13)

Finance Leases

Weighted Average Useful Life
Interest Rate

Current Portion	\$4	\$5	\$3	\$4	\$6	\$10	\$9	\$5	\$4	\$4
Non-Current Portion	\$76	\$76	\$66	\$69	\$70	\$84	\$88	\$94	\$98	\$101
Total	\$80	\$81	\$68	\$73	\$76	\$95	\$97	\$100	\$102	\$105
% of COGS	1.8%	1.8%	1.4%	1.2%	1.2%	1.5%	1.5%	1.5%	1.5%	1.5%
Total Lease Required						\$95	\$97	\$100	\$102	\$105
Additional Lease Required						\$24	\$13	\$11	\$8	\$7
Interest Expense on Operating Leases						(\$3)	(\$3)	(\$3)	(\$4)	(\$4)

Appendix G Pro-Forma Statement of Financial Income

Hershey's	Start Date	Historical					Forecasted				
		1/1/19	1/1/20	1/1/21	1/1/22	1/1/23	1/1/24	1/1/25	1/1/26	1/1/27	1/1/28
		12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28
For the Financial Year Ending 31 December	Days	365	366	365	365	365	366	365	365	365	366
All figures are expressed in USD Millions	Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Income Statement

Revenue	\$7,986	\$8,150	\$8,971	\$10,419	\$11,165	\$11,429	\$11,775	\$12,131	\$12,498	\$12,875
Cost of Goods Sold	(\$4,364)	(\$4,448)	(\$4,923)	(\$5,921)	(\$6,167)	(\$6,298)	(\$6,453)	(\$6,636)	(\$6,824)	(\$7,017)
Gross Profit	\$3,622	\$3,701	\$4,049	\$4,499	\$4,998	\$5,132	\$5,322	\$5,495	\$5,674	\$5,858
<i>Gross Profit Margin</i>	45.4%	45.4%	45.1%	43.2%	44.76%	44.90%	45.20%	45.30%	45.40%	45.50%
Selling General & Admin Exp.	(\$1,577)	(\$1,558)	(\$1,640)	(\$1,667)	(\$1,829)	(\$1,999)	(\$2,052)	(\$1,917)	(\$1,984)	(\$2,053)
Provision for Bad Debts	-	-	-	-	-	-	-	-	-	-
R & D Exp.	(\$37)	(\$38)	(\$40)	(\$47)	(\$50)	(\$51)	(\$53)	(\$55)	(\$56)	(\$58)
Other Operating Expense/(Income)	-	-	-	-	-	-	-	-	-	-
Other Operating Exp., Total	(\$1,614)	(\$1,596)	(\$1,680)	(\$1,714)	(\$1,879)	(\$2,050)	(\$2,105)	(\$1,972)	(\$2,040)	(\$2,111)
EBITDA	\$2,008	\$2,105	\$2,369	\$2,784	\$3,119	\$3,081	\$3,217	\$3,524	\$3,634	\$3,747
<i>EBITDA Margin</i>	25.14%	25.83%	26.40%	26.72%	27.93%	26.96%	27.32%	29.05%	29.07%	29.10%
Depreciation & Amort.	(\$292)	(\$295)	(\$315)	(\$379)	(\$420)	(\$654)	(\$715)	(\$779)	(\$844)	(\$911)
EBIT	\$1,717	\$1,810	\$2,054	\$2,405	\$2,699	\$2,427	\$2,502	\$2,745	\$2,790	\$2,836
Currency Exchange Gains (Loss)	-	-	-	\$0	-	-	-	-	-	-
Other Non-Operating Inc. (Exp.)	-	-	-	-	-	-	-	-	-	-
EBIT Excl. Unusual Items	\$1,717	\$1,810	\$2,054	\$2,406	\$2,699	\$2,427	\$2,502	\$2,745	\$2,790	\$2,836

Hershey's	Start Date	Historical					Forecasted				
		1/1/19	1/1/20	1/1/21	1/1/22	1/1/23	1/1/24	1/1/25	1/1/26	1/1/27	1/1/28
	End Date	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28
For the Financial Year Ending 31 December	Days	365	366	365	365	365	366	365	365	365	366
<i>All figures are expressed in USD Millions</i>	Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Restructuring Charges		(\$8)	(\$19)	(\$10)	(\$145)	(\$138)	-	-	-	-	-
Merger & Related Restruct. Charges		-	-	-	-	-	-	-	-	-	-
Impairment of Goodwill		-	-	-	-	-	-	-	-	-	-
Gain (Loss) On Sale Of Invest.		-	-	-	-	-	-	-	-	-	-
Gain (Loss) On Sale Of Assets		-	-	-	-	-	-	-	-	-	-
Asset Writedown		(\$112)	(\$9)	-	-	-	-	-	-	-	-
Other Unusual Items		-	-	-	-	-	-	-	-	-	-
EBIT Incl. Unusual Items		\$1,596	\$1,783	\$2,044	\$2,261	\$2,561	\$2,427	\$2,502	\$2,745	\$2,790	\$2,836
Interest Expense		(\$152)	(\$153)	(\$130)	(\$140)	(\$162)	(\$190)	(\$135)	(\$117)	(\$105)	(\$96)
Interest and Invest. Income		(\$63)	(\$134)	(\$117)	(\$204)	(\$227)	-	-	-	-	-
EBT		\$1,381	\$1,495	\$1,797	\$1,917	\$2,172	\$2,617	\$2,637	\$2,862	\$2,895	\$2,932
Income Tax Expense		(\$234)	(\$220)	(\$314)	(\$272)	(\$310)	(\$322)	(\$325)	(\$352)	(\$357)	(\$361)
Earnings from Cont. Ops.		\$1,147	\$1,275	\$1,483	\$1,645	\$1,862	\$2,295	\$2,312	\$2,509	\$2,538	\$2,571
Earnings of Discontinued Ops.		-	-	-	-	-	-	-	-	-	-
Extraord. Item & Account. Change		-	-	-	-	-	-	-	-	-	-
Net Income to Company		\$1,147	\$1,275	\$1,483	\$1,645	\$1,862	\$2,295	\$2,312	\$2,509	\$2,538	\$2,571
Minority Int. in Earnings		\$3	\$3	(\$5)	-	-	-	-	-	-	-
Net Income		\$1,150	\$1,279	\$1,478	\$1,645	\$1,862	\$2,295	\$2,312	\$2,509	\$2,538	\$2,571
							\$9.20	\$11.34	\$11.43	\$12.40	\$12.55

Appendix H Pro-Forma Statement of Financial Position

Balance Sheet											
ASSETS											
Cash And Equivalents	\$493	\$1,144	\$329	\$464	\$402	\$917	\$1,608	\$2,544	\$3,857	\$5,082	
Total Cash & ST Investments	\$493	\$1,144	\$329	\$464	\$402	\$917	\$1,608	\$2,544	\$3,857	\$5,082	
Accounts Receivable	\$569	\$615	\$671	\$711	\$824	\$829	\$857	\$883	\$909	\$934	
Total Receivables	\$569	\$615	\$671	\$711	\$824	\$829	\$857	\$883	\$909	\$934	
Inventory	\$815	\$964	\$989	\$1,173	\$1,341	\$1,282	\$1,317	\$1,354	\$1,393	\$1,428	
Prepaid Exp.	\$84	\$96	\$129	\$144	\$228	\$162	\$166	\$155	\$161	\$166	
Other Current Assets	\$156	\$159	\$128	\$128	\$118	\$174	\$179	\$185	\$190	\$196	
Total Current Assets	\$2,117	\$2,978	\$2,246	\$2,620	\$2,912	\$3,363	\$4,127	\$5,121	\$6,510	\$7,807	
Gross Property, Plant & Equipment	\$4,955	\$5,189	\$5,753	\$6,036	\$6,757	\$7,244	\$7,779	\$8,329	\$8,897	\$9,481	
Accumulated Depreciation	(\$2,581)	(\$2,680)	(\$2,815)	(\$2,940)	(\$3,139)	(\$3,704)	(\$4,311)	(\$4,961)	(\$5,657)	(\$6,398)	
Net Property, Plant & Equipment	\$2,374	\$2,510	\$2,938	\$3,096	\$3,618	\$3,540	\$3,468	\$3,368	\$3,240	\$3,083	
Long-term Investments	-	\$52	\$93	\$133	\$207	\$207	\$207	\$207	\$207	\$207	
Goodwill	\$1,986	\$1,988	\$2,633	\$2,607	\$2,696	\$2,696	\$2,696	\$2,696	\$2,696	\$2,696	
Other Intangibles	\$1,495	\$1,483	\$2,298	\$2,286	\$2,239	\$2,237	\$2,224	\$2,194	\$2,147	\$2,082	
Deferred Tax Assets, LT	\$31	\$29	\$41	\$40	\$44	\$44	\$44	\$44	\$44	\$44	
Other Long-Term Assets	\$137	\$92	\$163	\$165	\$186	\$181	\$186	\$192	\$198	\$204	
Total Assets	\$8,140	\$9,132	\$10,412	\$10,949	\$11,903	\$12,269	\$12,953	\$13,822	\$15,042	\$16,123	
LIABILITIES											
Accounts Payable	\$551	\$580	\$692	\$971	\$1,086	\$927	\$952	\$979	\$1,007	\$1,032	
Accrued Exp.	\$673	\$745	\$819	\$801	\$833	\$955	\$979	\$1,007	\$1,035	\$1,065	
Short-Term Borrowings	\$32	\$74	\$939	\$694	\$720	-	-	-	-	-	
Curr. Port. of LT Debt	\$699	\$434	-	\$749	\$299	\$600	\$500	\$194	\$350	\$300	
Curr. Port. of Leases	\$33	\$41	\$39	\$36	\$40	\$55	\$40	\$32	\$30	\$29	
Curr. Income Taxes Payable	\$20	\$17	\$3	\$7	\$29	\$29	\$29	\$29	\$29	\$29	
Other Current Liabilities	-	-	-	-	-	-	-	-	-	-	
Total Current Liabilities	\$2,009	\$1,892	\$2,493	\$3,257	\$3,008	\$2,566	\$2,500	\$2,241	\$2,452	\$2,456	
Long-Term Debt	\$3,455	\$4,014	\$4,020	\$3,275	\$3,779	\$3,119	\$2,619	\$2,425	\$2,075	\$1,775	
Long-Term Leases	\$260	\$258	\$377	\$364	\$348	\$385	\$411	\$431	\$446	\$461	
Pension & Other Post-Retire. Benefits	\$270	\$294	\$231	\$175	\$120	\$268	\$275	\$257	\$266	\$275	
Def. Tax Liability, Non-Curr.	\$200	\$229	\$288	\$328	\$346	\$346	\$346	\$346	\$346	\$346	
Other Non-Current Liabilities	\$202	\$207	\$246	\$250	\$264	\$287	\$296	\$305	\$314	\$324	
Total Liabilities	\$6,395	\$6,894	\$7,655	\$7,649	\$7,804	\$6,971	\$6,447	\$6,005	\$5,899	\$5,637	
Common Stock	\$222	\$222	\$222	\$222	\$222	\$222	\$222	\$222	\$222	\$222	
Additional Paid In Capital	\$1,142	\$1,191	\$1,260	\$1,297	\$1,346	\$1,346	\$1,346	\$1,346	\$1,346	\$1,346	
Retained Earnings	\$1,290	\$1,929	\$2,720	\$3,590	\$4,562	\$5,761	\$6,969	\$8,280	\$9,606	\$10,950	
Treasury Stock	(\$591)	(\$769)	(\$1,195)	(\$1,556)	(\$1,800)	(\$1,800)	(\$1,800)	(\$1,800)	(\$1,800)	(\$1,800)	
Comprehensive Inc. and Other	(\$324)	(\$338)	(\$249)	(\$252)	(\$230)	(\$230)	(\$230)	(\$230)	(\$230)	(\$230)	
Total Common Equity	\$1,739	\$2,234	\$2,757	\$3,300	\$4,099	\$5,298	\$6,506	\$7,817	\$9,143	\$10,486	
Minority Interest	\$6	\$4	-	-	-	-	-	-	-	-	
Total Equity	\$1,745	\$2,238	\$2,757	\$3,300	\$4,099	\$5,298	\$6,506	\$7,817	\$9,143	\$10,486	
Total Liabilities And Equity	\$8,140	\$9,132	\$10,412	\$10,949	\$11,903	\$12,269	\$12,953	\$13,822	\$15,042	\$16,123	

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Appendix I Pro-Forma Statement of Cash Flow

Hershey's		Historical					Forecasted				
	Start Date	1/1/19	1/1/20	1/1/21	1/1/22	1/1/23	1/1/24	1/1/25	1/1/26	1/1/27	1/1/28
	End Date	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28
For the Financial Year Ending 31 December	Days	365	366	365	365	365	366	365	365	365	366
All figures are expressed in USD Millions	Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash Flow											
Net Income							\$2,295	\$2,312	\$2,509	\$2,538	\$2,571
Depreciation							\$565	\$607	\$650	\$695	\$742
Amortization							\$89	\$109	\$128	\$148	\$169
Depreciation & Amort., Total							\$654	\$715	\$779	\$844	\$911
(Gain) Loss From Sale Of Assets							-	-	-	-	-
(Gain) Loss On Sale Of Invest.							-	-	-	-	-
Asset Writedown & Restructuring Costs							-	-	-	-	-
Stock-Based Compensation							-	-	-	-	-
Provision & Write-off of Bad debts							-	-	-	-	-
Other Operating Activities							-	-	-	-	-
Change in Acc. Receivable							(\$6)	(\$27)	(\$26)	(\$27)	(\$25)
Change In Inventories							\$59	(\$35)	(\$37)	(\$38)	(\$36)
Change in Acc. Payable							(\$160)	\$25	\$27	\$28	\$26
Change in Prepaid Expenses							\$66	(\$4)	\$11	(\$5)	(\$6)
Change in Other Net Operating Assets							\$243	\$29	\$8	\$35	\$36
Cash from Ops.							\$3,152	\$3,015	\$3,270	\$3,375	\$3,478
Capital Expenditure							(\$574)	(\$630)	(\$649)	(\$669)	(\$689)
Sale of Property, Plant, and Equipment							-	-	-	-	-
Cash Acquisitions							-	-	-	-	-
Divestitures							-	-	-	-	-
Invest. in Marketable & Equity Secur.							-	-	-	-	-
Net (Inc.) Dec. in Loans Originated/Sold							-	-	-	-	-
Other Investing Activities							\$52	\$11	\$13	\$13	\$14
Cash from Investing							(\$522)	(\$619)	(\$636)	(\$655)	(\$675)
Short Term Debt Issued							-	-	-	-	-
Long-Term Debt Issued							-	-	-	-	-
Total Debt Issued							-	-	-	-	-
Short Term Debt Repaid							(\$720)	-	-	-	-
Long-Term Debt Repaid							(\$299)	(\$600)	(\$500)	(\$194)	(\$350)
Total Debt Repaid							(\$1,019)	(\$600)	(\$500)	(\$194)	(\$350)
Issuance of Common Stock							-	-	-	-	-
Repurchase of Common Stock							-	-	-	-	-
Common Dividends Paid							(\$1,096)	(\$1,104)	(\$1,198)	(\$1,212)	(\$1,228)
Total Dividends Paid							(\$1,096)	(\$1,104)	(\$1,198)	(\$1,212)	(\$1,228)
Special Dividend Paid							-	-	-	-	-
Other Financing Activities							-	-	-	-	-
Cash from Financing							(\$2,115)	(\$1,704)	(\$1,698)	(\$1,406)	(\$1,578)
Foreign Exchange Rate Adj.							-	-	-	-	-
Misc. Cash Flow Adj.							-	-	-	-	-
Net Change in Cash							\$515	\$692	\$935	\$1,314	\$1,225
Cash and Cash Equivalents at the Beginning of the Year							\$402	\$917	\$1,608	\$2,544	\$3,857
Net Change in Cash and Cash Equivalents							\$515	\$692	\$935	\$1,314	\$1,225
Cash and Cash Equivalents at the End of the Year							\$402	\$917	\$1,608	\$2,544	\$5,082

Appendix J Financial Metrics

Hershey's	Start Date	Historical					Forecasted				
		1/1/19	1/1/20	1/1/21	1/1/22	1/1/23	1/1/24	1/1/25	1/1/26	1/1/27	1/1/28
	End Date	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28
For the Financial Year Ending 31 December	Days	365	366	365	365	365	366	365	365	365	366
All figures are expressed in USD Millions											

YoY Revenue Growth by Segments

USA	--	4.1%	9.5%	16.1%	6.8%	2.4%	3.0%	3.0%	3.0%	3.0%
North America Confectionery	--	3.9%	8.4%	11.1%	6.9%	2.4%	3.0%	3.0%	3.0%	3.0%
North America Snacks	--	6.8%	26.7%	85.4%	6.1%	2.6%	3.0%	3.0%	3.0%	3.0%
International	--	(17.7%)	17.1%	16.4%	11.3%	1.8%	3.0%	3.0%	3.0%	3.0%

Profitability

Gross Margin %	45.4%	45.4%	45.1%	43.2%	44.8%	44.9%	45.2%	45.3%	45.4%	45.5%
EBITDA Margin %	25.1%	25.8%	26.4%	26.7%	27.9%	27.0%	27.3%	29.0%	29.1%	29.1%
EBIT Margin %	21.5%	22.2%	22.9%	23.1%	24.2%	21.2%	21.2%	22.6%	22.3%	22.0%
Net Income Margin %	14.4%	15.7%	16.5%	15.8%	16.7%	20.1%	19.6%	20.7%	20.3%	20.0%
Return On Assets	14.1%	14.0%	14.2%	15.0%	15.6%	18.7%	17.9%	18.2%	16.9%	15.9%
Return On Equity	66.1%	57.2%	53.6%	49.9%	45.4%	43.3%	35.5%	32.1%	27.8%	24.5%
Return On Invested Capital	37.9%	36.8%	37.7%	46.6%	52.0%	65.5%	81.5%	106.3%	118.4%	142.7%

Liquidity

Current Ratio	1.05	1.57	0.90	0.80	0.97	1.31	1.65	2.29	2.66	3.18
Quick Ratio	0.65	1.06	0.50	0.44	0.52	0.81	1.12	1.68	2.09	2.60
Cash Ratio	0.25	0.60	0.13	0.14	0.13	0.36	0.64	1.14	1.57	2.07
Interest Coverage Ratio	11.28	11.80	15.82	17.17	16.71	12.80	18.46	23.50	26.51	29.47

Leverage

Debt to Equity Ratio	2.40	2.02	1.80	1.43	1.16	0.70	0.48	0.33	0.27	0.20
Debt to EBITDA Ratio	2.08	2.15	2.09	1.69	1.52	1.21	0.97	0.74	0.67	0.55

Efficiency

Asset Turnover Ratio	1.01	0.92	0.83	0.84	0.91	0.92	0.91	0.88	0.84	0.80
Receivables Turnover Ratio	13.73	13.49	12.67	12.98	13.58	13.51	13.56	13.54	13.54	13.56
Payables Turnover Ratio	8.29	7.72	6.99	5.92	5.76	6.13	6.70	6.68	6.68	6.69

DuPont Analysis

ROE	73.3%	63.1%	53.8%	46.8%	47.0%	47.7%	38.0%	34.0%	29.1%	25.4%
Net Income Margin %	14.4%	15.7%	16.5%	15.8%	16.7%	20.1%	19.6%	20.7%	20.3%	20.0%
Asset Turnover Ratio	1.01	0.92	0.83	0.84	0.91	0.92	0.91	0.88	0.84	0.80
Equity Multiplier	5.05	4.35	3.92	3.53	3.09	2.57	2.14	1.87	1.70	1.59

Appendix K Weighted Average Cost of Capital

Weighted Average Cost of Capital (WACC)

Cost of Equity		Cost of Debt		Capital Structure Info	
Risk-Free Rate	4.50%	Credit Spread	1.02%	Debt	\$4,738
Unlevered Beta	0.46	Pre-Tax Cost of Debt	5.52%	Market Cap	\$37,185
Re-levered Beta	0.51	Tax Rate	21.0%	% Debt	11.3%
Equity Risk Premium	4.60%			% Equity	88.7%
				D/E	12.7%
Cost of Equity	6.83%	Cost of Debt	4.36%		

WACC 6.55%

Appendix L Comparable Companies

Ticker	Company Name	Multiples >>>											
		EV/Revenue			EV/EBITDA			EV/EBIT			P/E		
		LTM	FY+1	FY+2	LTM	FY+1	FY+2	LTM	FY+1	FY+2	LTM	FY+1	FY+2
Target Company													
NYSE:HSY	The Hershey Company	3.9x	3.7x	3.6x	14.3x	14.1x	14.1x	16.9x	16.4x	16.4x	20.9x	18.9x	19.4x
Comparable Companies													
NYSE:HRL	Hormel Foods Corporation	1.6x	1.6x	1.6x	14.2x	13.6x	13.6x	17.6x	16.8x	16.8x	21.7x	20.2x	18.1x
NASDAQ:KHC	The Kraft Heinz Company	2.4x	2.4x	2.3x	9.6x	9.6x	9.6x	11.2x	11.3x	11.3x	31.0x	14.2x	11.2x
NYSE:K	Kellanova	2.7x	2.7x	2.6x	16.8x	15.0x	15.0x	20.3x	18.1x	18.1x	27.6x	23.4x	21.5x
SWX:NESN	Nestlé S.A.	3.1x	3.0x	3.0x	15.8x	14.7x	14.7x	18.3x	18.0x	18.0x	20.1x	19.4x	19.2x
NASDAQ:PEP	PepsiCo, Inc.	2.9x	2.9x	2.8x	16.0x	15.3x	15.3x	19.3x	18.5x	18.5x	24.9x	21.9x	20.1x
NYSE:CAG	Conagra Brands, Inc.	1.9x	1.9x	1.9x	10.2x	10.0x	10.0x	12.3x	12.2x	12.2x	28.7x	11.1x	11.0x
NASDAQ:MDLZ	Mondelez International, Inc.	3.1x	3.1x	2.9x	15.1x	15.0x	15.0x	18.2x	18.2x	18.2x	24.3x	21.2x	20.4x
NYSE:MKC	McCormick & Company, Incorporated	3.8x	3.8x	3.7x	20.1x	19.9x	19.9x	23.6x	23.6x	23.6x	26.5x	26.8x	25.2x
NYSE:KLG	WK Kellogg Co	0.7x	0.7x	0.7x	5.1x	7.4x	7.4x	6.3x	10.3x	10.3x	21.9x	13.2x	14.0x
NYSE:K	Kellanova	2.7x	2.7x	2.6x	16.8x	15.0x	15.0x	20.3x	18.1x	18.1x	27.6x	23.4x	21.5x
SWX:LISN	Chocoladefabriken Lindt & Sprüngli AG	5.0x	4.7x	4.3x	25.5x	22.0x	22.0x	30.7x	29.2x	29.2x	36.8x	37.1x	34.3x
NYSE:HRL	Hormel Foods Corporation	1.6x	1.6x	1.6x	14.2x	13.6x	13.6x	17.6x	16.8x	16.8x	21.7x	20.2x	18.1x
ASX:BGA	Bega Cheese Limited	0.6x	0.5x	0.5x	19.0x	10.0x	10.0x	37.3x	18.2x	18.2x	52.1x	29.9x	22.9x
NYSE:CAG	Conagra Brands, Inc.	1.9x	1.9x	1.9x	10.2x	10.0x	10.0x	12.3x	12.2x	12.2x	28.7x	11.1x	11.0x
ENXTPA:BN	Danone S.A.	2.0x	2.0x	1.9x	11.3x	11.7x	11.7x	15.4x	15.2x	15.2x	43.5x	19.4x	18.6x
Low		0.6x	0.5x	0.5x	5.1x	7.4x	7.4x	6.3x	10.3x	10.3x	20.1x	11.1x	11.0x
25th Percentile		1.8x	1.8x	1.7x	10.8x	10.0x	10.0x	13.9x	13.7x	13.7x	23.1x	16.8x	16.1x
Mean		2.4x	2.4x	2.3x	14.7x	13.5x	13.5x	18.7x	17.1x	17.1x	29.2x	20.8x	19.2x
Median		2.4x	2.4x	2.3x	15.1x	13.6x	13.6x	18.2x	18.0x	18.0x	27.6x	20.2x	19.2x
75th Percentile		3.0x	3.0x	2.9x	16.8x	15.0x	15.0x	20.3x	18.2x	18.2x	29.9x	23.4x	21.5x
90th Percentile		3.5x	3.5x	3.4x	19.7x	18.0x	18.0x	27.8x	21.6x	21.6x	40.8x	28.7x	24.3x
High		5.0x	4.7x	4.3x	25.5x	22.0x	22.0x	37.3x	29.2x	29.2x	52.1x	37.1x	34.3x

Ticker	Company Name	Beta >>>								
		5Y Beta	2Y Beta	Avg Beta	Book Debt	Market Cap	Market D/E	5Yr Avg Tax Rate	5Y Unlevered Beta	
Target Company										
NYSE:HSY	The Hershey Company	0.36	0.14	0.25	\$5,644	\$36,988	0.15	NA	█	#VALUE!
Comparable Companies										
NYSE:HRL	Hormel Foods Corporation	0.52	0.31	0.42	\$2,860	\$16,966	17%	20%		0.46
NASDAQ:KHC	The Kraft Heinz Company	0.49	0.02	0.25	\$20,091	\$42,475	47%	35%		0.37
NYSE:K	Kellanova	0.47	0.21	0.34	\$6,524	\$27,782	23%	23%		0.40
SWX:NESN	Nestlé S.A.	0.48	0.31	0.40	\$65,867	\$250,778	26%	18%		0.40
NASDAQ:PEP	PepsiCo, Inc.	0.54	0.16	0.35	\$45,014	\$233,019	19%	20%		0.47
NYSE:CAG	Conagra Brands, Inc.	0.55	0.00	0.27	\$8,772	\$14,204	62%	25%		0.38
NASDAQ:MDLZ	Mondelez International, Inc.	0.55	0.19	0.37	\$20,425	\$92,891	22%	19%		0.47
NYSE:MKC	McCormick & Company, Incorporated	0.76	0.26	0.51	\$4,624	\$21,033	22%	20%		0.65
NYSE:KLG	WK Kellogg Co	0.68	-0.15	0.26	\$592	\$1,491	40%	24%		0.52
NYSE:K	Kellanova	0.62	0.21	0.42	\$6,524	\$27,782	23%	23%		0.52
SWX:LISN	Chocoladefabriken Lindt & Sprüngli AG	0.49	0.33	0.41	\$1,680	\$28,040	6%	17%		0.47
NYSE:HRL	Hormel Foods Corporation	0.52	0.31	0.42	\$2,860	\$16,966	17%	20%		0.46
ASX:BGA	Bega Cheese Limited	0.51	0.55	0.53	\$419	\$1,061	39%	26%		0.39
NYSE:CAG	Conagra Brands, Inc.	0.49	0.00	0.24	\$8,772	\$14,204	62%	25%		0.33
ENXTPA:BN	Danone S.A.	0.47	0.14	0.30	\$16,319	\$46,988	35%	33%		0.38
Low		0.47	-0.15	0.24	\$419	\$1,061	6%	17%		0.33
25th Percentile		0.49	0.08	0.29	\$2,860	\$15,585	21%	20%		0.39
Mean		0.54	0.19	0.37	\$14,090	\$55,712	31%	23%		0.44
Median		0.52	0.21	0.37	\$6,524	\$27,782	23%	23%		0.46
75th Percentile		0.55	0.31	0.42	\$18,205	\$44,732	40%	25%		0.47
90th Percentile		0.66	0.33	0.47	\$35,178	\$176,968	56%	30%		0.52
High		0.76	0.55	0.53	\$65,867	\$250,778	62%	35%		0.65

Appendix L Comparable Companies

Ratios >>>

Financial Ratios (Peers Comparison)

Ticker	Company Name	Gross %	EBITDA %	EBIT %	Net Income %	Total Asset Turnover (x)	ROA %	ROE %	Quick Ratio (x)	Current Ratio (x)	Book D/E
Target Company											
NYSE:HSY	The Hershey Company	44.46%	26.91%	22.83%	16.17%	0.89 x	12.75%	43.41%	0.42 x	0.85 x	1.34
Comparable Companies											
NYSE:HRL	Hormel Foods Corporation	16.86%	11.30%	9.15%	6.52%	0.90 x	5.16%	10.01%	0.98 x	2.29 x	0.36
NASDAQ:KHC	The Kraft Heinz Company	34.65%	24.67%	20.98%	5.24%	0.29 x	3.84%	2.80%	0.45 x	1.06 x	0.41
NYSE:K	Kellanova	35.92%	15.88%	13.11%	7.85%	0.74 x	6.09%	26.04%	0.46 x	0.77 x	1.74
SWX:NESN	Nestlé S.A.	46.86%	19.79%	17.03%	12.16%	0.69 x	7.34%	32.68%	0.49 x	0.85 x	1.96
NASDAQ:PEP	PepsiCo, Inc.	54.88%	18.40%	15.21%	10.18%	0.92 x	8.72%	48.82%	0.66 x	0.89 x	2.30
NYSE:CAG	Conagra Brands, Inc.	27.39%	18.75%	15.51%	4.14%	0.55 x	5.31%	5.61%	0.29 x	0.94 x	1.01
NASDAQ:MDLZ	Mondelez International, Inc.	38.77%	20.51%	16.96%	10.56%	0.51 x	5.36%	13.55%	0.29 x	0.63 x	0.73
NYSE:MKC	McCormick & Company, Incorporated	38.48%	19.02%	16.20%	11.87%	0.51 x	5.16%	15.07%	0.27 x	0.71 x	0.85
NYSE:KLG	WK Kellogg Co	28.65%	14.56%	11.77%	2.50%	1.44 x	10.62%	26.56%	0.32 x	0.78 x	1.87
NYSE:K	Kellanova	35.92%	15.88%	13.11%	7.85%	0.74 x	6.09%	26.04%	0.46 x	0.77 x	1.74
SWX:LISN	Chocoladefabriken Lindt & Sprüngli AG	67.08%	19.45%	16.14%	12.80%	0.69 x	6.94%	15.76%	0.64 x	1.34 x	0.39
NYSE:HRL	Hormel Foods Corporation	16.86%	11.30%	9.15%	6.52%	0.90 x	5.16%	10.01%	0.98 x	2.29 x	0.36
ASX:BGA	Bega Cheese Limited	19.83%	2.89%	1.48%	0.87%	1.64 x	1.51%	3.02%	0.61 x	1.16 x	0.41
NYSE:CAG	Conagra Brands, Inc.	27.39%	18.75%	15.51%	4.14%	0.55 x	5.31%	5.61%	0.29 x	0.94 x	1.01
ENXTPA:BN	Danone S.A.	48.44%	17.56%	12.87%	3.70%	0.60 x	4.82%	6.49%	0.66 x	0.91 x	0.97
Low		16.86%	2.89%	1.48%	0.87%	0.29 x	1.51%	2.80%	0.27 x	0.63 x	0.36
25th Percentile		27.39%	15.22%	12.32%	4.14%	0.55 x	5.16%	6.05%	0.31 x	0.78 x	0.41
Mean		36.87%	16.58%	13.61%	7.13%	0.78 x	5.83%	16.54%	0.52 x	1.09 x	1.07
Median		35.92%	18.40%	15.21%	6.52%	0.69 x	5.31%	13.55%	0.46 x	0.91 x	0.97
75th Percentile		42.81%	19.24%	16.17%	10.37%	0.90 x	6.52%	26.04%	0.65 x	1.11 x	1.74
90th Percentile		52.31%	20.22%	17.00%	12.05%	1.23 x	8.17%	30.24%	0.86 x	1.91 x	1.93
High		67.08%	24.67%	20.98%	12.80%	1.64 x	10.62%	48.82%	0.98 x	2.29 x	2.30

Appendix M Valuation (DCF)

Discounted Cash Flow Analysis

Free Cash Flow to Firm Calculation

	2024	2025	2026	2027	2028
EBIT	\$2,427	\$2,502	\$2,745	\$2,790	\$2,836
EBIT*(1-T)	\$1,918	\$1,976	\$2,168	\$2,204	\$2,241
Add: Depreciation & Amortisation	\$654	\$715	\$779	\$844	\$911
Add: Other Non-Cash Expenses	-	-	-	-	-
Add/(Less): Net Working Capital Changes	\$203	(\$13)	(\$18)	(\$7)	(\$4)
Less: Capital Expenditures	(\$574)	(\$630)	(\$649)	(\$669)	(\$689)
Free Cash Flow to Firm (FCFF)	\$2,201	\$2,049	\$2,280	\$2,372	\$2,459

Mid-Year Adjustment

Valuation Date: 10/28/24
Fiscal Year End: 12/31/24

	2024	2025	2026	2027	2028
Period	0.18	1.18	2.18	3.18	4.18
Mid-Year Adjustment	0.09	0.68	1.68	2.68	3.68
FCFF	\$2,201	\$2,049	\$2,280	\$2,372	\$2,459
PV of FCFF	\$2,188	\$1,963	\$2,050	\$2,002	\$1,947

Sum of PV FCFF **\$10,151**

Perpetual Growth Method	
Terminal Growth Rate	1.80%
Terminal Value	\$52,652
PV of Terminal Value	\$40,400
Enterprise Value	\$50,551
Less: Debt	(\$4,738)
Add: Cash	\$402
Equity Value	\$46,215

EBIT Exit Multiple Method	
EBIT Multiple	18.2x
Terminal Value	\$51,710
PV of Terminal Value	\$39,677
Enterprise Value	\$49,828
Less: Debt	(\$4,738)
Add: Cash	\$402
Equity Value	\$45,492

Price Per Share	
Shares Outstanding (mn)	202
Perpetual Growth	\$46,215
Price Per Share	\$228
Exit Multiple	\$45,492
Price Per Share	\$225

	WACC					
	5.6%	6.1%	6.6%	7.1%	7.6%	
TGR	0.8%	\$235	\$212	\$192	\$176	\$162
	1.3%	\$261	\$232	\$209	\$189	\$173
	1.8%	\$293	\$257	\$228	\$206	\$187
	2.3%	\$335	\$288	\$253	\$225	\$203
	2.8%	\$392	\$330	\$284	\$249	\$222

	WACC					
	5.6%	6.1%	6.6%	7.1%	7.6%	
EBIT Multiple	17.5	\$225	\$221	\$217	\$213	\$209
	17.7	\$228	\$223	\$219	\$215	\$211
	18.2	\$233	\$229	\$225	\$220	\$216
	18.7	\$239	\$234	\$230	\$226	\$221
	19.2	\$244	\$240	\$235	\$231	\$227

Appendix N Dividend Discount Model (DDM)

Dividend Discount Model (DDM)

Dividends Per Share	\$4.4
Cost of Equity	6.8%
Dividend Growth Rate:	4.5%

	2019	2020	2021	2022	2023	1	2	3	4	5
Dividends										
Shares Outstanding(mm)	208	207	205	204	202	2024	2025	2026	2027	2028
Dividends Per Share (DPS)	\$2.93	\$3.10	\$3.35	\$3.80	\$4.40	\$5.42	\$5.46	\$5.92	\$5.99	\$6.07
Present Value (PV) of Dividend						\$5.07	\$4.78	\$4.86	\$4.60	\$4.36

Share Price Calculation

PV of dividends	\$24
Year 5 Dividend × (1 + Growth Rate)	\$6
Terminal Value	\$272
PV of Terminal Value	\$196
Value Per Share (\$)	\$219

Check

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Net Income	\$1,150	\$1,279	\$1,478	\$1,645	\$1,862	\$2,295	\$2,312	\$2,509	\$2,538	\$2,571
(-) Dividends Distributed	(\$610)	(\$641)	(\$686)	(\$775)	(\$889)	(\$1,096)	(\$1,104)	(\$1,198)	(\$1,212)	(\$1,228)
Retained Earnings	\$539	\$638	\$792	\$870	\$973	\$1,199	\$1,208	\$1,311	\$1,326	\$1,343
Dividend Payout Ratio	53%	50%	46%	47%	48%	48%	48%	48%	48%	48%
Retention Ratio	47%	50%	54%	53%	52%	52%	52%	52%	52%	52%
Dividend Payout Ratio – Alternative Formula						48%	48%	48%	48%	48%
Sanity Check						0	0	0	0	0

Growth Rate	Cost of Equity				
	6.2%	6.7%	7.2%	7.7%	8.2%
4.3%	\$322	\$255	\$213	\$180	\$157
4.4%	\$338	\$265	\$220	\$185	\$161
4.5%	\$357	\$276	\$227	\$190	\$164
4.6%	\$378	\$288	\$233	\$195	\$168
4.7%	\$402	\$301	\$241	\$201	\$172

Appendix O Relative Valuation

FY +1 EV/EBIT	Min	25th percentile	Mean	Median	75th Percentile	Max
Multiples	10.26	13.71	17.11	17.97	18.17	29.20
Implied EV	24,917	33,279	41,540	43,619	44,108	70,887
Add: Cash	917	917	917	917	917	917
Less: Debt	3,719	3,719	3,719	3,719	3,719	3,719
Equity Value	22,115	30,477	38,738	40,817	41,306	68,085
Shares Outstanding	202	202	202	202	202	202
Implied Share Price	109	151	191	202	204	337

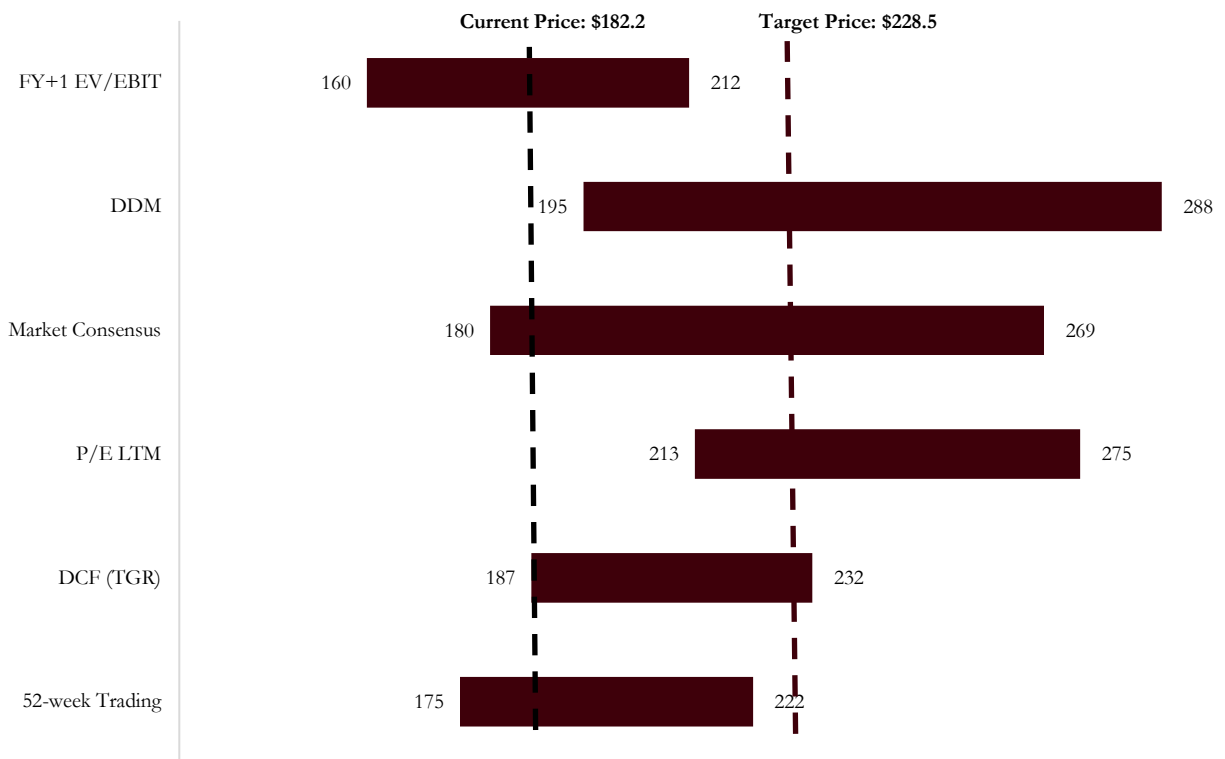
FY +2 EV/EBIT	Min	25th percentile	Mean	Median	75th Percentile	Max
Multiples	10.26	13.71	17.11	17.97	18.17	29.20
Implied EV	25,680	34,298	42,813	44,955	45,459	73,058
Add: Cash	1,608	1,608	1,608	1,608	1,608	1,608
Less: Debt	3,119	3,119	3,119	3,119	3,119	3,119
Equity Value	24,170	32,788	41,302	43,445	43,949	71,548
Shares Outstanding	202	202	202	202	202	202
Implied Share Price	119	162	204	215	217	354

FY +1 EV/EBITDA	Min	25th percentile	Mean	Median	75th Percentile	Max
Multiples	7.40	9.99	13.50	13.58	15.02	21.95
Implied EV	22,791	30,791	41,613	41,857	46,287	67,642
Add: Cash	917	917	917	917	917	917
Less: Debt	3,719	3,719	3,719	3,719	3,719	3,719
Equity Value	19,989	27,989	38,811	39,055	43,485	64,840
Shares Outstanding	202	202	202	202	202	202
Implied Share Price	99	138	192	193	215	321

FY +2 EV/EBITDA	Min	25th percentile	Mean	Median	75th Percentile	Max
Multiples	7.40	9.99	13.50	13.58	15.02	21.95
Implied EV	23,795	32,147	43,446	43,701	48,326	70,621
Add: Cash	1,608	1,608	1,608	1,608	1,608	1,608
Less: Debt	3,119	3,119	3,119	3,119	3,119	3,119
Equity Value	22,285	30,637	41,936	42,190	46,815	69,111
Shares Outstanding	202	202	202	202	202	202
Implied Share Price	110	151	207	209	231	342

Appendix P Analysts

Broker Consensus		
Date	Brokerage	Price Target
	Bank of America	\$195.00
	Barclays	\$204.00
	CitiBank	\$213.88
	ConsumerEdge	\$261.00
	Cowen	\$206.29
	D.A. Davidson	\$222.31
	Deutsche	\$191.00
	EVERCORE ISI	\$215.00
	HSBC	\$269.07
	JP Morgan	\$180.00
	Jefferies	\$243.60
	Morgan Stanley	\$198.00
	MorningStar	\$210.00
	RBC Capital Market	\$205.00
	Wells Fargo	\$230.00
	UBS	\$226.00
Low		\$180.00
Median		\$211.94
High		\$269.07



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