



MAYER FUND
ROBERT H. SMITH SCHOOL OF BUSINESS

10/01/2024
Kshitiz Udainiya
Consumer Staples

Rating BUY
Price (Date) \$193.36
Target Price \$221.20

52 week range \$211.92 - \$178.82
Market Cap \$39.11B

Statistics

Historical Beta 0.36
Forward Beta 0.19

Coverage

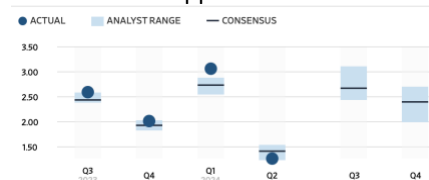
Number of Analysts 19
12 Month Mean Analyst PT \$202.01
Institutional Holding 81.8%
Analyst Rating 2.96

Ratios

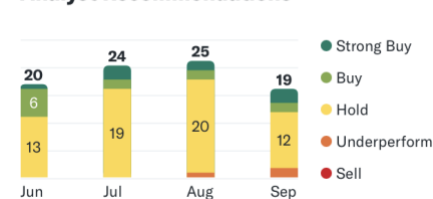
P/E Ratio (TTM) 21.47x
P/E Ratio (Forward) 20.49x
Est. 5-Year Growth 1.28%
PEG Ratio 4.08
ROE (TTM) 47.92%
Dividend Yield 2.83%

Forecast Returns

Forecast Price Appreciation 19.43%



Analyst Recommendations



The Hershey Company (HSY)

Delivering Sweet Returns

- Initiating coverage with a Buy and a \$221.20 price target.

PROS

- Market Leadership** – Hershey's commands a dominant position in the U.S. confectionery market, benefiting from its extensive distribution network and strong retailer relationships.
- Brand Recognition** – Iconic brands like Hershey's, Reese's, and Kit Kat offer a competitive advantage by driving consumer loyalty and pricing power.
- Diverse Product Line** – The company's broad portfolio, including chocolates, snacks, and sugar-free options, enables it to cater to various consumer preferences and expand into adjacent categories.
- Strong Dividend Yield** – Hershey's has a track record of providing consistent and attractive returns to shareholders.

CONS

- Dependence on the North American market** – With the majority of revenue coming from North America, the company is vulnerable to regional economic downturns and market saturation.
- Pricing and Cost Issues** – Rising input costs, particularly for cocoa and sugar could erode margins in the face of inflationary pressures.
- Supply chain vulnerabilities** – Global supply chain disruptions, especially in sourcing key ingredients, pose a risk to maintaining consistent product availability and operational efficiency.
- Intense competition** – The confectionery space is highly competitive, with both established rivals and private labels vying for market share.



Mayer Fund

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Executive Summary

Hershey's (HSY) presents a compelling investment opportunity, underpinned by its market leadership, iconic brand portfolio, and consistent financial performance. As a leader in the U.S. confectionery market, Hershey's benefits from high brand recognition and a diverse product line that includes chocolates, snacks, and sugar-free options, allowing it to capture a broad consumer base. The company's strong dividend yield and history of consistent dividend growth make it particularly appealing for income-focused investors. Additionally, Hershey's low beta offers portfolio stability, reducing overall risk in volatile markets. Despite challenges such as dependence on the North American market and rising input costs, Hershey's strong brand equity, steady cash flows, and defensive characteristics position it for sustained long-term growth. Hershey's is a solid addition to the portfolio, offering both stability and consistent returns.

Correlations	HSY	STZ	ACI	PEP
HSY	1.000	0.277	0.050	0.513
STZ	0.277	1.000	0.194	0.433
ACI	0.050	0.194	1.000	0.084
PEP	0.513	0.433	0.084	1.000

Industry Overview

The chocolate and non-chocolate confectionery industry is navigating significant changes, driven by shifting consumer preferences, volatile input costs, and evolving market dynamics. Cocoa prices have surged, forcing large producers to pass increased costs to consumers. Additionally, sugar prices continue to rise, adding further pressure on profit margins. Producers are struggling to maintain profitability as consumers, increasingly health-conscious, seek healthier options and alternatives.

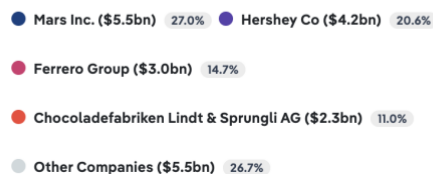
Demand for dark chocolate, perceived to offer health benefits, has grown substantially, fueled by media attention and recommendations from nutritionists and medical experts. Premium chocolate products, especially those that are organic and fair-trade, are also gaining popularity. These are seen as affordable luxuries and more sustainable, appealing to consumers prioritizing ethical consumption and environmental responsibility.

The rise of e-commerce, particularly accelerated by the COVID-19 pandemic, has transformed how chocolate products are sold. Producers are increasingly adopting direct-to-consumer sales channels, offering them greater control over branding and customer engagement. At the same time, traditional retail outlets, such as supermarkets and grocery stores, remain the primary distribution points for chocolate, benefitting from their vast buying power. However, wholesalers are seeing a decline in market share as retailers and consumers bypass them through direct online purchases.



The industry faces fierce competition from other confectionery brands, imports, and substitute products like ice cream. Producers are feeling the pressure to innovate, particularly as they struggle to pass rising costs onto consumers. Despite these challenges, the growth of premium and health-conscious confectionery products offers a significant opportunity for companies able to align with evolving consumer preferences.

Major Players >



Confectionery Wholesaling in the US — Companies and their Market Share (2024)



Source: IBISWorld, Hershey Co

Business Overview

Hershey's product offerings span across a wide range of categories, including chocolate and non-chocolate confectionery, gum and mints, protein bars, and various snack items such as popcorn, pretzels, spreads, snack bites, and mixes. Additionally, the company sells pantry items like baking ingredients, toppings, and beverages.

Hershey operates through three main business segments:

1. **North America Confectionery:** This segment encompasses Hershey's traditional chocolate and non-chocolate confectionery business in the U.S. and Canada. It includes chocolates, protein bars, gum, mints, and pantry products sold under iconic brands such as Hershey's, Reese's, and Kisses, as well as popular names like Jolly Rancher, Almond Joy, Kit Kat, and Twizzlers. This segment also includes retail operations such as Hershey's Chocolate World stores.
2. **North America Salty Snacks:** Focused on the U.S. market, this segment covers Hershey's salty snack portfolio, which includes ready-to-eat popcorn, pretzels, and baked, trans-fat-free snack products.
3. **International:** This segment combines all non-North American operations. Hershey manufactures and sells products in key markets such as Mexico, Brazil, India, and Malaysia. The company also distributes its products

across Asia, Latin America, Europe, the Middle East, and Africa. While many of the same global brands are marketed in these regions, the company also sells regionally popular brands like Pelon Pelo Rico in Mexico, IO-IO in Brazil, and Sofit beverages in India.

Business Acquisitions and Divestitures:

In May 2023, Hershey acquired additional manufacturing capacity from Weaver Popcorn, a leader in microwave and ready-to-eat popcorn, and a former co-manufacturer of Hershey's SkinnyPop brand.

In December 2021, Hershey strengthened its salty snacks portfolio by acquiring Pretzels Inc., previously a privately held company that manufactures and sells pretzels and other salty snacks. Pretzels is an industry leader in the pretzel category with a product portfolio that includes filled, gluten free and seasoned pretzels, as well as extruded snacks that complements Hershey's snacks portfolio. Additionally in December 2021, they completed the acquisition of Dot's Pretzels, LLC ("Dot's"), previously a privately held company that produces and sells pretzels and other snack food products to retailers and distributors in the United States, with Dot's Homestyle Pretzels snacks as its primary product, which complements Hershey's snacks portfolio.

Earlier, in June 2021, Hershey acquired Lily's Sweets, a brand specializing in sugar-free and low-sugar confectionery products, enhancing its better-for-you product offerings.

In January 2021, the company divested Lotte Shanghai Foods Co., Ltd., a move with minimal financial impact on Hershey's international segment.

Business Realignment Activities and Strategic Initiatives

Hershey regularly undertakes business realignment activities to support strategic initiatives aimed at sustaining long-term growth. In 2023, the company completed its International Optimization Program, launched in late 2020, which focused on enhancing operational efficiency, reducing costs, and reallocating savings to other growth areas.

In February 2024, the Board approved the Advancing Agility & Automation Initiative, a multi-year program to streamline operations. This initiative aims to improve supply chain and manufacturing efficiency, optimize overhead costs, and leverage new technologies to simplify and automate processes, driving long-term savings.

Investment Positives

Strong Brand Recognition: Hershey's enjoys high brand awareness with 92% consumer recognition, making it a trusted name in the global confectionery industry.

Diverse Product Portfolio: Beyond chocolate, Hershey's offers a wide range of products, including non-chocolate confectioneries, mints, gums, and snack items, catering to various consumer preferences.

Market Leadership: With over one-third of the U.S. chocolate market share, Hershey's maintains a dominant position, supported by iconic products and consumer loyalty.

Robust Distribution Network: Hershey's extensive distribution network ensures wide product availability, reinforcing its market presence both in the U.S. and globally.

Financial Strength and Innovation: Hershey's consistent profitability and cash flow enable investment in growth, product innovation, and strong shareholder returns.

Investment Issues and Risks

Risks Related to Business and Operations

Reputation and Brand Image:

The Company faces risks to its reputation from quality and safety issues concerning products, ingredients, packaging, and environmental, social, and governance (ESG) matters. Negative publicity, even if unfounded, could lead to decreased demand, production disruptions, or litigation, adversely impacting financial results.

Manufacturing and Supply Chain Disruptions:

With 72% of manufacturing capacity in the U.S., various factors (natural disasters, pandemics, climate change, labor strikes, material shortages, and cyber breaches) could disrupt operations. While the Company has strategies to mitigate these risks, any failure to manage disruptions could negatively affect financial performance.

Climate Change and Environmental Risks:

Climate change poses risks to supply chains, potentially increasing costs and regulatory compliance requirements. Legislative pressures regarding greenhouse gas emissions could necessitate additional investments. The Company's cocoa supply chain faces specific challenges related to sustainability and deforestation.

Risks Related to the Industry

Raw Material and Energy Costs:

The Company faces risks from fluctuations in the prices and availability of raw materials such as cocoa, sugar, and energy sources. Various factors, including market volatility, climate change, political unrest, and supply-demand imbalances, can impact costs. Although the Company employs hedging strategies, significant cost increases may not be offset by price increases, potentially harming financial performance.

Market Demand Fluctuations and Intense Competition:

Maintaining demand for products is critical in a highly competitive market. Factors influencing demand include effective retail execution, advertising, product innovation, and consumer trends related to health and wellness. Declines in market demand could negatively impact revenue and profits. Failure to successfully introduce new products or maintain market share could lead to reduced sales and profits.

Risks Related to Strategic Initiatives

International Operations:

Approximately 12.7% of net sales come from international markets, exposing the Company to various risks, including operational instability, regulatory challenges, political instability, and currency fluctuations.

Cost Savings and Operational Efficiencies:

The Company may not fully realize expected cost savings from strategic initiatives and restructuring programs. Efforts to expand in digital commerce and enhance operational efficiencies through technology could fail to deliver desired results. Recent programs like the International Optimization Program and the Advancing Agility & Automation Initiative aim to improve effectiveness and reduce costs, but successful implementation and realization of benefits are not guaranteed.

Risks Related to Governmental and Regulatory Changes

Regulatory Changes:

The Company faces risks from changes in laws and regulations in both the U.S. and international markets, which could increase compliance costs, liabilities, or impact product demand.

Economic and Political Conditions:

The Company's financial results are influenced by macroeconomic factors such as consumer spending, confidence, employment levels, and energy costs.

Financial Market Conditions:

Changes in financial market conditions could limit access to credit, increase borrowing costs, and reduce liquidity, potentially impacting the Company and its customers. This situation raises counterparty risk for suppliers and service providers, which could disrupt supply chains and negatively affect revenue.

Red Flag Analysis

Audit Opinion

Hershey was audited by Ernst & Young, LLP, who have served as the company's auditor since 2016, resulting in a clean audit opinion. However, the audit identified an issue with the valuation of accrued liabilities for trade promotion activities. As of the end of 2023, Hershey had \$194 million in unsettled obligations related to discounts, coupons, and in-store incentives. The valuation process involves complex estimates regarding customer participation and historical payment patterns, which introduces subjectivity and potential risks to financial reporting accuracy. Ernst & Young evaluated the design and tested the operating effectiveness of the controls related to these accrued liabilities, finding no other issues in the process.

High Amount of Goodwill

Hershey's balance sheet carries a substantial amount of goodwill, reflecting the premium paid for past acquisitions. While this highlights the company's expansion strategy, it also poses a risk. A high level of goodwill could lead to significant write-downs if acquired assets underperform or market conditions change. Such impairments would negatively affect Hershey's financials, potentially signaling overvaluation of past acquisitions and raising concerns about the company's ability to generate value from these investments.

High Deferred Tax Liabilities

Hershey's financials show a significant amount of deferred tax liabilities, which arise from temporary differences between the book and tax values of assets and liabilities. While this is common for large companies, the high level of deferred tax liabilities could indicate future tax obligations that may negatively impact cash flow. If not managed

properly, this could reduce available capital for investments, dividends, or other corporate activities, potentially putting pressure on the company's financial health in the long term.

Executive Team



MICHELE BUCK, Chairman of the Board, President and CEO

Michele Buck brings more than 25 years of consumer packaged goods experience to her role as Hershey's Chairman of the Board of Directors and 12th President and Chief Executive Officer. She has proven success transforming businesses and organizations to accelerate profitable growth and is motivated by harnessing others' strengths, expertise and perspectives.



Deepak Bhatia, Senior Vice President, CTO

He leads digital transformation efforts, including implementing Hershey's Enterprise Resource Planning (ERP) system and other productivity suites to digitize operations. With over two decades of experience driving optimization and innovation, Deepak brings a bold vision and proven execution.

Prior to joining Hershey in 2023, Deepak spent 12 years at Amazon as Vice President of Supply Chain Optimization Technologies.



Rohit Grover, President, International

Rohit Grover is responsible for leading Hershey's international business including its scale markets, focused emerging markets, and export priorities.

Grover has held a variety of senior management roles within The Hershey Company, including most recently as Vice President and General Manager, Greater China. Previously, he was General Manager of Hershey Canada and prior to this role, he was General Manager of Southeast Asia. He was also General Manager of the Middle East and led Hershey's entry into the region.



Kris Meulen, Chief Development Officer

Kris Meulen is responsible for driving cross-functional M&A capability and delivery, C7 ventures and inorganic growth platforms. He brings more than 20 years of start-up and large cap operational, financial and corporate development experience across the food, beverage and technology industries.

Prior to his current position, he was the Vice President, M&A and Disruptive Growth at Hershey and has held senior leadership roles in Hershey's Amplify Snacks and ONE Brands businesses.



Mike Del Pozzo, President, U.S. Confection

Mike Del Pozzo leads Hershey's flagship U.S. confection business, driving demand and accelerating the business' capabilities to advance Hershey's vision. He is a people-focused leader and has a strong growth mindset that is grounded in the consumer and customer.

Before joining Hershey in 2024, Mike spent 23 years at PepsiCo, where he most recently served as President and General Manager of Gatorade.



Kristen Riggs, President, Salty Snacks

Kristen Riggs is responsible for building and scaling our salty snacks business. Riggs is a dynamic Hershey veteran with marketing, sales and commercial operations experience leading billion-dollar businesses across brand marketing and sales.

Riggs joined Hershey in 2005 and has held a range of leadership roles including Chief Growth Officer.



Steve Voskuil, Senior Vice President, Chief Financial Officer

Steve Voskuil oversees the global finance organization, including financial planning and analysis, accounting and reporting, tax, treasury, internal audit and investor relations.

Prior to joining Hershey in May 2019, Voskuil was Chief Financial officer at Avanos Medical, a \$700 million global medical device company, where he served since 2014. Voskuil was also Senior Vice President, Chief Financial Officer for Halyard for four years where he led its successful spinoff from Kimberly-Clark.



Competition

- **Mars Inc.** is the world's leading manufacturer of chocolate, chewing gum, mints and fruity confections as well as pet food, and other food products and a provider of animal care services, with US\$45 billion in annual sales in 2022; that year Forbes ranked the company as the fourth-largest privately held company in the United States.
- **Mondelez International, Inc.**, styled as Mondelēz International, is an American multinational confectionery, food, holding, beverage and snack food company based in Chicago. Mondelez has an annual revenue of about \$26.5 billion and operates in approximately 160 countries.
- **Nestlé and Ferrero Rocher** is a Swiss multinational food and drink processing conglomerate corporation headquartered in Vevey, Switzerland. It has been the largest publicly held food company in the world, measured by revenue and other metrics, since 2014. The US Confectionary business of Nestle was acquired by Ferrero Rocher which a private group.
- **Chocoladefabriken Lindt & Sprüngli AG**, together with its subsidiaries, engages in the manufacture and sale of chocolate products worldwide. The company sells its products under the Lindt, Ghirardelli, Russell Stover, Whitman's, Caffarel, Hofbauer, Küfferle, and Pangburn's brands. It serves customers through a network of independent distributors, as well as through own shops.
- **McCormick & Company**, Incorporated manufactures, markets, and distributes spices, seasoning mixes, condiments, and other flavorful products to the food industry. It operates in two segments, Consumer and Flavor Solutions. The Consumer segment offers spices, herbs, and seasonings, as well as condiments and sauces, and desserts.

USD

COMPARABLE COMPANY ANALYSIS																
COMPANY DATA																
(in millions)	Company Name	Ticker	Recent Price	52 week High	Shares Out	Market Cap	Total Debt	Cash	Enterprise Value	Book Value	Beta	WS 12-mo Price Target				
	MONDELEZ INT C/d	MDLZ.O	\$74.20	\$77.20	1,335.8	\$99,116	\$19,408	\$1,810	\$116,714	\$28,332	0.55	\$79.53				
	NESTLE SA/d	NESN.S	\$101.37	\$118.61	2,620.0	\$265,585	\$65,646	\$2,972	\$328,259	\$42,474	0.75	\$115.87				
	LINDT & SP N/d	LISN.S	\$128,019.04	\$131,953.43	1.1	\$143,176	\$1,671	\$188	\$144,658	\$5,060	0.79	\$133,691.42				
	THE KRFT HNZ C/d	KHC.OQ	\$35.37	\$38.96	1,209.1	\$42,765	\$20,032	\$1,400	\$61,397	\$49,526	0.48	\$38.66				
	GENERAL MILLS/d	GIS	\$74.38	\$75.90	555.2	\$41,293	\$12,930	\$418	\$53,805	\$9,397	0.09	\$74.84				
	KELLANOVA ORD/d	K.N	\$80.78	\$80.97	344.7	\$27,844	\$5,873	\$274	\$33,443	\$3,175	0.38	\$78.77				
	CAMPBLL SOUP O/d	CPB.O	\$49.36	\$52.81	298.1	\$14,715	\$7,184	\$108	\$21,791	\$3,794	0.17	\$50.72				
	HERSHEY CO/d	HSY	\$193.36	\$211.92	202.3	\$39,114	\$4,814	\$402	\$43,526	\$4,099	0.36	\$202.46				
I/B/E/S ESTIMATES																
Company Name	Ticker	SALES				EPS				EBIT			EBITDA			EPS 5-yr
		Last FY	FYR1	FYR2	FYR3	Last FY	FYR1	FYR2	FYR3	Last FY	FYR1	FYR2	Last FY	FYR1	FYR2	Growth %
MONDELEZ INT C/d	MDLZ.O	\$36,016	\$36,596	\$38,303	\$39,881	\$3.24	\$3.50	\$3.58	\$3.91	5,848	6,179	6,208	7,059	7,453	7,533	6.7%
NESTLE SA/d	NESN.S	\$110,515	\$110,151	\$113,245	\$117,253	\$5.60	\$5.70	\$5.97	\$6.32	18,377	18,734	19,372	22,563	23,111	23,796	3.6%
LINDT & SP N/d	LISN.S	\$6,181	\$6,497	\$6,991	\$7,436	\$3,239.60	\$3,364.75	\$3,669.09	\$4,000.38	923	1,046	1,125	1,243	1,398	1,485	7.7%
THE KRFT HNZ C/d	KHC.OQ	\$26,640	\$26,190	\$26,555	\$27,033	\$2.97	\$3.02	\$3.16	\$3.35	5,184	5,360	5,542	6,361	6,383	6,581	3.5%
GENERAL MILLS/d	GIS	\$19,857	\$19,987	\$20,079	\$20,193	\$4.50	\$4.51	\$4.71	\$4.98	\$3,582	\$3,575	\$3,628	\$4,133	\$4,162	\$4,235	3.4%
KELLANOVA ORD/d	K.N	\$13,122	\$12,690	\$13,032	\$13,406	\$3.96	\$3.71	\$3.90	\$4.10	\$1,941	\$1,880	\$1,977	\$2,408	\$2,247	\$2,357	8.6%
CAMPBLL SOUP O/d	CPB.O	\$9,636	\$10,559	\$10,610	\$10,848	\$3.08	\$3.19	\$3.41	\$3.69	\$1,445	\$1,600	\$1,667	\$1,861	\$2,042	\$2,105	5.1%
HERSHEY CO/d	HSY	11,165	11,335	11,673	12,007	9.51	9.47	9.29	10.00	2,675	2,606	2,578	3,086	3,038	3,017	1.3%



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VALUATION MULTIPLES

Company Name	Ticker	Recent Price	Price / Book	Price/Sales			P/E			PEG			EV/EBITDA		
				FYR1	FYR2	FYR3	FYR1	FYR2	FYR3	FYR1	FYR2	FYR3	Last FY	FYR1	FYR2
MONDELEZ INT C/d	MDLZO	\$74.20	3.50x	2.71x	2.59x	2.49x	21.23x	20.70x	18.97x	3.17x	3.09x	2.83x	16.53x	15.66x	15.49x
NESTLE SA/d	NESNS	\$101.37	6.25x	2.41x	2.35x	2.27x	17.79x	16.98x	16.04x	4.95x	4.73x	4.46x	14.55x	14.20x	13.79x
LINDT & SP N/d	LISNS	\$128,019.04	28.30x	22.04x	20.48x	19.25x	38.05x	34.89x	32.00x	4.93x	4.52x	4.15x	116.42x	103.51x	97.41x
THE KRFT HNZ C/d	KHC.OQ	\$35.37	0.86x	1.63x	1.61x	1.58x	11.70x	11.18x	10.57x	3.36x	3.21x	3.04x	9.65x	9.62x	9.33x
GENERAL MILLS/d	GIS	\$74.38	4.39x	2.07x	2.06x	2.04x	16.48x	15.81x	14.93x	4.90x	4.70x	4.44x	13.02x	12.93x	12.70x
KELLANOVA ORD/d	KN	\$80.78	8.77x	2.19x	2.14x	2.08x	21.80x	20.71x	19.69x	#DIV/0!	#DIV/0!	#DIV/0!	13.89x	14.88x	14.19x
CAMPBLL SOUP O/d	CPB.O	\$49.36	3.88x	1.39x	1.39x	1.36x	15.46x	14.46x	13.36x	3.06x	2.86x	2.65x	11.71x	10.67x	10.35x
HERSHEY CO/d	HSY	\$193.36	9.54x	3.45x	3.35x	3.26x	20.42x	20.81x	19.33x	15.89x	16.19x	15.04x	14.10x	14.33x	14.43x
		Average	5.36x	4.92x	4.66x	4.44x	20.36x	19.25x	17.94x	3.82x	3.61x	3.34x	27.97x	25.92x	24.75x
		Median	4.39x	2.19x	2.14x	2.08x	17.79x	16.98x	16.04x	3.36x	3.21x	3.04x	13.89x	14.20x	13.79x
		Average	\$ 108.59	\$ 275.70	\$ 268.77	\$ 263.40	\$ 192.76	\$ 178.86	\$ 179.43	\$ 46.47	\$ 43.08	\$ 42.90	\$ 404.86	\$ 367.58	\$ 347.41
		Median	\$ 89.05	\$ 122.94	\$ 123.30	\$ 123.28	\$ 168.44	\$ 157.84	\$ 160.47	\$ 40.91	\$ 38.36	\$ 39.03	\$ 190.08	\$ 191.53	\$ 183.95

RATIO ANALYSIS

Company Name	Ticker	Gross Margin	Operating Margin	Net Margin	ROA	ROE	Asset Turnover	Inventory Turnover	Receivables Turnover	Debt/E	LTD/TC	Quick Ratio	Current Ratio	Interest Coverage
MONDELEZ INT C/d	MDLZO	38.2%	15.3%	13.8%	6.1%	15.8%	0.51	6.36	7.98	68.50	35.35	0.43	0.62	12.90
NESTLE SA/d	NESNS	45.9%	15.1%	12.1%	9.7%	32.7%	0.71	3.74	7.57	154.55	50.01	0.51	0.83	12.75
LINDT & SP N/d	LISNS	67.2%	15.6%	12.9%	8.5%	15.5%	0.66	1.90	4.49	33.02	18.97	0.92	1.42	32.55
THE KRFT HNZ C/d	KHC.OQ	33.7%	17.2%	10.7%	4.1%	7.5%	0.29	4.86	12.61	40.45	27.80	0.54	0.99	6.80
GENERAL MILLS/d	GIS	35.0%	17.7%	12.6%	8.3%	26.4%	0.63	6.34	10.35	137.60	50.07	0.38	0.65	8.39
KELLANOVA ORD/d	KN	32.7%	11.5%	5.9%	7.5%	35.8%	0.77	5.86	8.37	184.98	55.06	0.41	0.66	7.08
CAMPBLL SOUP O/d	CPB.O	31.1%	10.4%	5.9%	6.8%	24.8%	0.71	4.96	15.30	189.35	52.47	0.22	0.61	6.82
HERSHEY CO/d	HSY	44.8%	21.1%	16.7%	17.3%	53.3%	0.98	4.91	13.56	117.44	42.51	0.52	0.97	18.48

Valuation

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Disclaimer:

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Hersheys

Hersheys		Share count
Cost of Equity	6.1040%	9/30/24 Today 202,288
Number of Shares	202,288	9/30/25 One year 200,683
Actual Price:	\$193.36	10/1/26 Two year 199,549
Model Valuation:	\$218.79	Price Appreciation Price Appreciation 13.15% Price Appreciation (12 month) 16.69%
Model 12 Month Price Target:	\$225.64	

Model Current Valuation with Sensitivity of Ke

		12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29	
Time period (years)		0.25	1.25	2.25	3.25	4.25	5.25	
Nominal FCFE:		1,173,068	1,857,748	1,610,026	1,515,645	2,023,488	2,007,246	
PV FCFE:		291,295	1,724,921	1,408,911	1,250,018	1,572,597	1,470,231	
Terminal Growth Rate	2.0%							
Terminal Value in 2030	49,887,698							
PV of Terminal Value	36,540,827							
Total PV:	44,258,799							
Valuation per Share (\$):	218.79							
Cost Of Equity Ke		Terminal Growth Rate						
	218.79	0.80%	1.20%	1.60%	2.0%	2.40%	2.80%	3.20%
	4.9%	\$229.03	\$250.33	\$276.79	\$310.53	\$355.06	\$416.51	\$506.81
	5.3%	\$208.32	\$225.55	\$246.51	\$272.54	\$305.74	\$349.55	\$410.02
	5.7%	\$190.99	\$205.18	\$222.14	\$242.76	\$268.37	\$301.04	\$344.15
	6.10%	\$176.28	\$188.14	\$202.10	\$218.79	\$239.08	\$264.29	\$296.44
	6.5%	\$163.64	\$173.67	\$185.34	\$199.09	\$215.51	\$235.48	\$260.28
	6.9%	\$152.66	\$161.24	\$171.11	\$182.60	\$196.12	\$212.29	\$231.94
	7.3%	\$143.03	\$150.44	\$158.88	\$168.60	\$179.91	\$193.22	\$209.13

I developed a revenue model by projecting sales growth across Hershey's three operating segments. The company has experienced a decline in revenue due to decreased volume, driven by higher prices and inflation, which aligns with their guidance.

To estimate the cost of equity, I utilized the historical beta of 0.36. This beta reflects the company's long-standing presence and the stability of its business model.

Considering the mature nature of the confectionery industry and Hershey's established position, a terminal growth rate of 2% is deemed reasonable.

Summary/Conclusion

In conclusion, I believe Hershey's is a buy due to its strong brand recognition, diverse product offerings, and robust market leadership. While the comps valuation may not indicate a buy, this is largely because two of its biggest competitors, Mars and Ferrero Rocher, are privately owned and not included in the analysis, while Lindt operates as an ADR and is not based in the U.S. These factors highlight Hershey's unique position in the market and its potential for continued growth.