

The Kellogg's logo is written in a red, cursive script font. It is positioned in the upper left quadrant of the slide, above the main title. The background of the slide is a light green gradient with some faint, dark green curved lines on the left side.

Kellogg's

CREDIT & FINANCIAL HEALTH ANALYSIS



STEP 1: COMPANY OVERVIEW



STEP 2: BUSINESS RISK FACTORS

BUSINESS RISK FACTORS



1. **Scale** – *bigger the scale, lower is the risk*



2. **Diversification** – *more the diversified, lower is the risk*



3. **Distribution channel** – *more the widespread, lower is the risk*



4. **Industry growth** – *higher the growth, lower is the risk*



5. **Brand equity** – *more the brand value, lower is the risk*



6. **Raw material sourcing** – *more the widespread, lower is the risk*



7. **Mergers & Acquisition** – *lower the integration issues, lower is the risk*



SCALE



Market Leader in
Breakfast Cereals



Most popular cereal
brand



Valued at **US\$7.28 billion**, ranking at #6
among food brands



2 Dominant players-
Nestle and PepsiCo



Holds **30% share in US market**
where PepsiCo's Quaker is
nearly neck and neck

Implications

- Economies of Scale
- Bargaining Power vs Suppliers
- Major Competitor

Assessment

Medium Risk





DIVERSIFICATION



Brand diversification:
More than 30+ Major Brands. 3+ Billion dollar brands



Category Diversification:
Cereals, Snacks, Frozen & Plant Based Food, Bars & Bites



Geographic Diversification: 180+ countries



More than 50% sales
revenue comes from North America



Key Markets: US, Canada

Implications

- Reduces Dependency
- Minimize sales de-growth risk
- Access to high growth emerging markets

Assessment

Low Risk





DISTRIBUTION CHANNEL



Company owned or controlled packages manufacturing and distribution operations



Strong technical and financial support to the contract manufacturers globally



Selective Contracts—when it improves efficiency or suits regional/distribution needs



Major Retailer: Walmart, Kroger, Costco, Target, Walgreens etc.



Shared retail distribution network access products

Implications

- Competitive advantages
- Faster new product launches
- Reduces cost and improve margins

Assessment

Low Risk





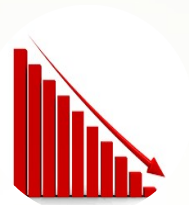
INDUSTRY GROWTH



Change in consumer preferences- decline in traditional breakfast cereal consumption



Move towards healthier options – people sought protein-rich or on-the-go options



Decline in Breakfast cereals- on average 6% volume decline in past 3 years



Focus on healthy options- Plant Based, Protein Fiber with Low Sugar, Special K Zero



Focus on Emerging markets – growth in countries like India, Mexico, Brazil

Implications

- Threat to core business
- More focus on healthier options
- Risk mitigation actions implemented

Assessment

Medium Risk





BRAND EQUITY



Strong brand equity in terms of recognition and loyalty



Number 1 best global brand in the category of Breakfast cereal



Top 10 global player in salty/sweet snacks



More than 3 Billion dollar brands



Owns other Major brands Pringles, Cheez-It, Special K

Implications

- High Brand Value
- Strong Pricing Power
- Good profitability margins

Assessment

Low Risk



RAW MATERIAL SOURCING



Major Raw materials-
Grains, fruits, oil



Historically, **no major difficulty** in procuring these raw materials other than pandemic



Long term and short term tie-ups with suppliers



Un-interrupted supply of raw materials



Exposed to **minor price fluctuations** in raw materials

Implications

- Raw material supplies robust
- Margins not affected
- Business continuity ensured

Assessment

Low Risk





MERGER & ACQUISITION



Few Billion dollar acquisitions



2 Major Acquisition- Pringles for \$2.6 bn and Worthington, Keebler for \$4.0 bn



Relative moderate sized acquisitions



Pringles sales doubled after acquisition



Large cash holdings and cash flows provide enough ammunition for future acquisitions

Implications

- Successful integration
- Less aggressive acquisitions
- Enough cash for future acquisitions

Assessment

Low Risk



OVERALL BUSINESS RISK ANALYSIS

OVERALL
BUSINESS RISK
ASSESSMENT

LOW RISK



- | | | |
|---|--|---|
|  | 1. Scale – 2 Major competitors, 30% market share |  |
|  | 2. Diversification – widespread brands, products |  |
|  | 3. Distribution channel – manufactures own packaging |  |
|  | 4. Industry growth – shifting preferences to healthier options |  |
|  | 5. Brand equity – top brand for breakfast cereal |  |
|  | 6. Raw material sourcing – limited supply and price disruptions |  |
|  | 7. Mergers & Acquisition – successful integration |  |

STEP 3: FINANCIAL RISK FACTORS

FINANCIAL RISK FACTORS



1. Sales growth – *higher the growth, lower is the risk*



2. Profitability margins – *higher the margins, lower is the risk*



3. Leverage ratios – *lower the leverage, lower is the risk*



4. Coverage ratios – *higher the coverage, lower is the risk*



5. Liquidity ratios – *higher the liquidity, lower is the risk*

FINANCIAL REPORT - FY 2013 TO FY 2017 (9 MONTHS AS OF SEP 2017)



**Source: SkillFine Learning







ANNUAL REPORT

Financials (USD mn)	FY 2013	FY 2014	FY 2015	FY 2016	*FY 2017
Revenues	14,792	14,580	13,525	13,014	9,714
Gross profit	6103	5063	4681	4755	3701
EBITDA	3,369	1,527	1,625	1,912	1,643
EBIT (Operating income)	2,837	1,024	1,091	1,395	1,277
Interest expense	235	209	227	406	188
Net Income	1,807	632	614	694	841
Total assets	15474	15153	15251	15111	15641
Total equity	3545	2789	2128	1910	1927
Total Debt	7358	7370	7745	7767	8198
Total cash and equivalents	273	443	251	280	267
Current assets (excl cash)	2994	2,897	2,985	2,660	2,905
Current liabilities (excl debt)	2807	2929	3269	3405	3665
Cash flow from operations	1807	1793	1691	1628	1221
Cash flow from investment	-641	-573	-1127	-893	-363
Cash flow from financing	-1141	-1063	-706	-642	-815

FINANCIAL RISK ANALYSIS

Sales growth yoy	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Risk Assessment
Revenue growth rate	n/a	-1%	-7%	-4%	0%	MEDIUM RISK
Profitability margins	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Risk Assessment
Gross Profits as % of Revenues	41%	35%	35%	37%	38%	LOW RISK
EBITDA as % of Revenues	22.8%	10.5%	12.0%	14.7%	16.9%	MEDIUM RISK
EBIT as % of Revenues	19.2%	7.0%	8.1%	10.7%	13.1%	MEDIUM RISK
Leverage ratios	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Risk Assessment
Net Debt / Equity	2.0	2.5	3.5	3.9	4.1	HIGH RISK
Net Debt / EBITDA	2.1	4.5	4.6	3.9	3.6	HIGH RISK
Coverage ratio	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Risk Assessment
EBITDA / Interest	14	7	7	5	9	MEDIUM RISK
EBIT / Interest	12	5	5	3	7	MEDIUM RISK
Liquidity ratio	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Risk Assessment
Current Assets to Current Liabilities	1.1	1.0	0.9	0.8	0.8	MEDIUM RISK
Cash to Total Assets	2%	3%	2%	2%	2%	HIGH RISK
Is CFO > CFI?	Yes	Yes	Yes	Yes	Yes	LOW RISK

OVERALL FINANCIAL RISK ANALYSIS

OVERALL FINANCIAL RISK ANALYSIS MEDIUM RISK 		Sales growth – <i>inclining sales gradually</i>	
		Profitability margins – moderate but slightly declining margins	
		Leverage ratios – <i>declining leverage</i>	
		Coverage ratios – <i>moderate but decreasing coverage</i>	
		Liquidity ratios – <i>low cash holdings but high assets value</i>	

STEP 4: ASSESS CREDIT RATING

S&P Global
Ratings

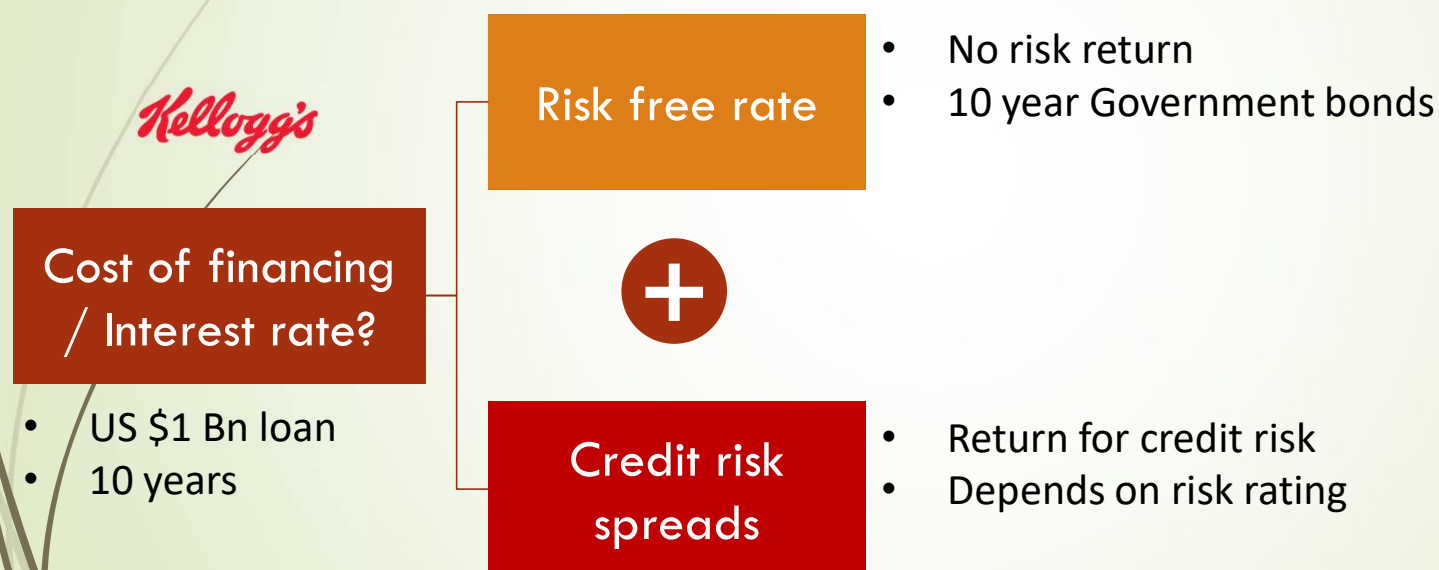
Financial risk profile

	1 (minimal)	2 (modest)	3 (intermediate)	4 (significant)	5 (aggressive)	6 (highly leveraged)
1 (excellent)	AAA/AA+	AA	A+/A	A-	BBB	BBB-/BB+
2 (strong)	AA/AA-	A+/A	A-/BBB+	BBB	BB+	BB
3 (satisfactory)	A/A-	BBB+	BBB/BBB-	BBB-/BB+	BB	B+
4 (fair)	BBB/BBB-	BBB-	BB+	BB	BB-	B
5 (weak)	BB+	BB+	BB	BB-	B+	B/B-
6 (vulnerable)	BB-	BB-	BB-/B+	B+	B	B-

Business risk profile

STEP 5: QUANTIFY CREDIT RISK?

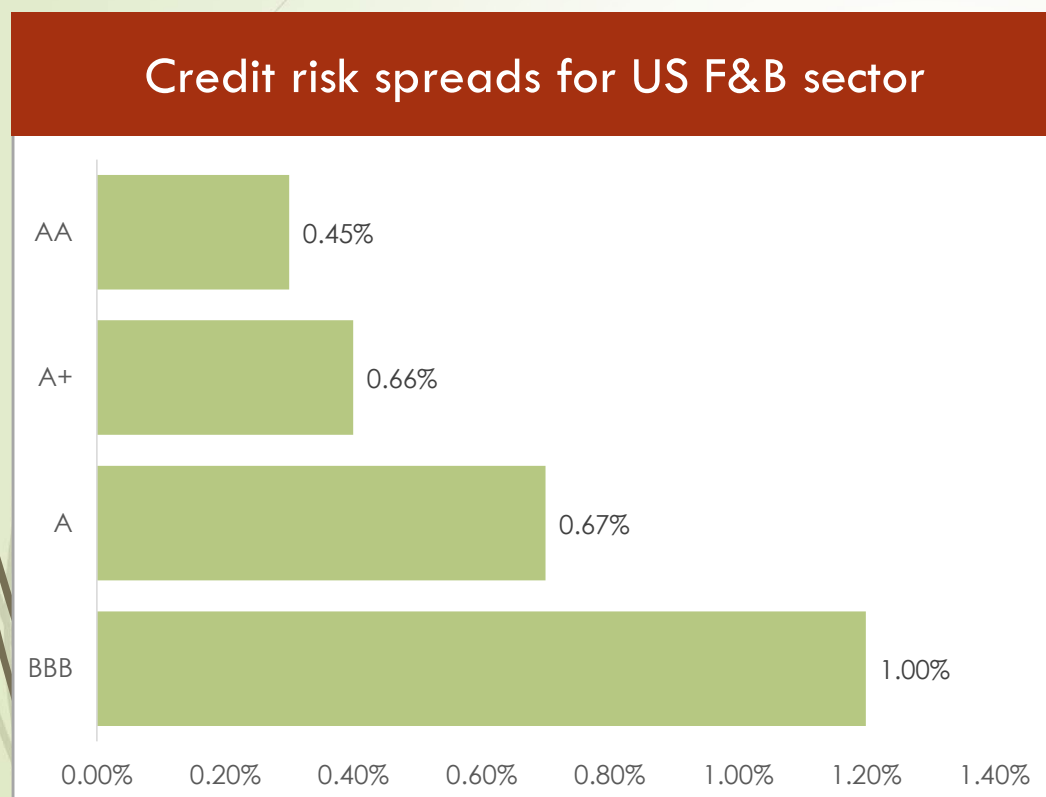
Bloomberg: Market data as of July 24th, 2025



4.40%

CREDIT RISK SPREADS

Bloomberg: Market data as of July 24th, 2025



Kellogg's
Arithmetic Average

.695%

STEP 5: QUANTIFY CREDIT RISK

Bloomberg: Market data as of July 24th, 2025

