Price: \$85.45 Market Cap: \$18.4B Dividend Yield: 2.70%

Company Background: The Hershey Company manufactures chocolate and sugar confectionery products. Their main products are chocolate, gum and mint refreshment products, as well as toppings and beverages. Hershey's customers are wholesale distributors, mass merchandisers, drug stores, department stores, etc. The company's major products are Hershey Bars, Reese's, Hershey's Kisses, Jolly Rancher, Almond Joy, Kit Kat, Rolo, Twizzlers, Whoppers, York, Ice Breakers, and Bubble Yum.

Investment Thesis: We feel as though Hershey is a sound investment due to its superior market share in the growing confectionary industry, as well as its longstanding brand. The company has above average margins, returns, and maintained positive revenue growth all throughout the financial crisis. Its increased efforts in margin expansion and international sales signal that the company is poised to increase profitability and grow further in coming years.

Business Segments: Hershey has two main business segments: North America and International/Other. The North American segment is responsible for chocolate and sugar products while the International/Other segment handles production/sales in countries outside the U.S.

Industry Analysis:

HSY US Equity Comp Source Bloom	Y US Equity 90 Output • 97) Settings •							Relative Valuation		
Segment Packaged Food		Revenue %		Metric Est P/E Current Yr Sales Growth Yoy (EBITDA Margin (%)	HSY 20.44 3.86 22.77		Low Comp Range 9.47 • -3.07 • 5.13 •		ange High 38.53 92.78 34.10	
Use BI Peers - BI N	orth America	Packaged Food	V + 2 More		26) Cre	vdit	21) Cust	HSY US 🔶	Nedian	
31) Create Template	32) hsv2333		4 pnc11	v zarowneranip	20 010	SUIL	217 C030			
Name (BI Peers)	S&P LT LC	Hkt Cap (USD) 1	Sales Gr T12M	Rev - 5 Yr Geo Gr:Y	GM:Y	ROIC:Y	P/E	ROE:Y	ROA:Y	
Average 100)HERSHEY CO/THE 100)KRAFT HEINZ CO/THE	A 688-	12.68B 18.16B 89.838	6.10% 1.62%	9.25% 6.99%		11.078		18.27% 58.64%	7.368	
102 MONDELEZ INTERNATION 103 GENERAL MILLS INC 104 KFLLOGG CD	888 888+	63.888 32.528 24.998	-10.89% -2.04% -4.54%	-0.93% 3.90% 3.07%	36.79% 34.16% 38.94%	5.528 8.548 13.018	18.75	25.448	4.79% 7.50% 9.11%	
105) HORMEL FOODS CORP 106) CONAGRA FOODS INC	A 888-	19.958 16.978	-0.56% 0.45%	5.16% 5.82%	19.528 20.90€	15.858 -3.48b	28.21 17.95	18.808 19.398	12.33% 5.15%	
107) CAMPBELL SOUP CO 108) JM SMUCKER CO/THE 105) PINNACLE FOODS INC	888+ 888 88-	16.938 14.588 4.828	-3.92% 25.64% 1.68%	1.23% 4.52% 10.92%	34.71% 35.01% 26.76%	13.418 5.088 7.328	20.43 28.85 23.98	51.618 6.638 5.638	9.548 3.10% 1.81%	
10)HERBALIFE LTD 111)TREEHOUSE FOODS INC	NR BB	4.198 4.048	-11.58% 20.04%	16.62% 14.60%	80.33% 21.13%	23.618	9.56 26.72	8.93t	19.61% 4.09%	
12)POST HOLDINGS INC (Accounting adjustme	8	3.708	92.78%	45.99%	25.27%	2.648	127.98	2.018	0.69% nalvze List	

US Total Confectionery Market Share xAOC+C (\$) 52 weeks ending 10/3/15

		<u>2015</u>	Change vs. 2014
Hershey		31.3 %	0.1 pts.
Mars		29.1 %	-0.1 pts.
Mondelez		5.4 %	-0.2 pts.
Lindt/Ghirardelli/R. S	Stover	5.4 %	0.1 pts.
Nestle		5.0 %	-0.2 pts.
Private Label		3.3 %	0.0 pts.
Ferrara		2.5 %	0.0 pts.
All Other		18.0 %	0.3 pts.
Category \$ Growth at Retail: 2.3			
Hershey \$ Growth at Retail:	2.7%		

Competitive Advantages: Hershey has made significant improvements in its supply chain efficiency including consolidating production lines and outsourcing in order to cut costs and widen margins. The company also has a very strong brand and market share in a steadily growing industry.

Its increased Ad spending coupled with new product releases should help the company grow further in coming years. Finally, Hershey maintained positive revenue growth from 2006-2009, which speaks to the strength of the company as well as the notion that the confectionary industry is somewhat "recession-proof."

Risks: Hershey acquired 80% stake in Shanghai Golden Monkey, which has underperformed significantly to date. The confectionary industry is also very competitive and geographically segmented; posing challenges going forward. Finally, inputs costs such as the cost of sugar and cocoa are highly volatile and could potentially raise costs and squeeze margins for the entire industry.

Valuation Assumptions:

Short Term Growth Rate: 12.06%

WACC: 9.00%

Long Term Growth Rate: 3.00%

Key Financials:

5 Year Revenue Growth Rate: 6.97 % Return on Equity: 55.36% Gross Margin: 44.95% Revenue is 85% from the U.S.

S&P Credit Rating: A

Corporate Social Responsibility:

ESG Disclosure Score: 40.91 (Avg: 21.8) Environmental Disclosure Score: 35.66 (Avg: 25.72) Governance Disclosure Score: 60.71 (Avg.: 51.21) Social Disclosure Score: 33.33 (Avg.: 24.45)