The Hershey Company

Second Quarter 2026 Earnings Q&A Session

July 30, 2026

CORPORATE PARTICIPANTS

Anoori Naughton, *Vice President, Investor Relations*

Kirk Tanner, *President and Chief Executive Officer*

Steve Voskuil, *Senior Vice President and Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Andrew Lazar, *Barclays*

Max Gumport, *BNP Paribas*

Robert Moskow, *TD Cowen*

Leah Jordan, *Goldman Sachs*

Peter Galbo, *Bank of America*

Michael Lavery, *Piper Sandler*

Chris Carey, *Wells Fargo Securities*

David Palmer, *Evercore ISI*

Alexia Howard, *Bernstein Alliance*

Peter Grom, *UBS Investment Bank*

Scott Marks, *Jefferies*

Jim Salera, *Stephens Inc*

Tom Palmer, *JPMorgan*

Steve Powers, *Deutsche Bank*

PRESENTATION

Operator

Greetings and welcome to the Hershey Company Second Quarter 2026 Question-and-Answer Session.

To join the question queue, please press star one on your telephone keypad. At this time, all participants are in a listen-only mode.

As a reminder, this conference is being recorded.

I'd now like to turn the call over to your host, Anoori Naughton, Vice President of Investor Relations for the Hershey Company. Thank you, you may begin.

Anoori Naughton

Good morning, everyone. Thank you for joining us today for the Hershey Company second quarter 2026 earnings Q&A session. I hope everyone has had the chance to read our press release and listen to our pre-recorded Management remarks, both of which are available on our website.

In addition, we have posted a transcript of the pre-recorded remarks. At the conclusion of today's live Q&A session, we will also post a transcript and audio replay of this call. Please note that during today's Q&A session, we may make forward-looking statements that are subject to various risks and uncertainties. These statements include expectations and assumptions regarding the Company's future financial and operating performance. Actual results could differ materially from those projected. The Company undertakes no obligation to update these statements based on subsequent events. A detailed listing of such risks and uncertainties can be found in today's press release and the Company's SEC filing.

Finally, please note that we may refer to certain non-GAAP financial measures that we believe provide useful information for investors. This information is not intended to be consideration in isolation or as a substitute for the financial information presented in accordance with GAAP. Reconciliations for the GAAP results are included in this morning's press release.

Joining me today are Hershey's President and CEO, Kirk Tanner, and Hershey's Senior Vice President and CFO, Steve Voskuil.

With that, we can take the first question.

Operator

Our first question is from Andrew Lazar with Barclays.

Andrew Lazar

Great. Thanks so much. Good morning, everybody.

Steve Voskuil

Good morning.

Kirk Tanner

Good morning, Andrew

Andrew Lazar

Maybe to start, I'm curious what some of the sort of key puts and takes in the first half and specifically the second quarter were, and where you think consumption came in for the quarter relative to shipments, as I know there's a lot of noise in the data we all get due to holiday timing and such.

Steve Voskuil

Yes, you bet. I'm happy to take that one. And I'll speak to the first half as Easter creates a lot of noise in Q2, as you said, Andrew. U.S. confection retail consumption of about 3% understated our real demand by about two points, primarily due to non-measured channel growth and the year-over-year concentration of Easter shipments in 2026. There's an additional point of growth reflected in retail inventory replenishment after levels ran low during the April transition to new pack prices. We expect that gap to be narrower as we look ahead to the second half shipments.

Andrew Lazar

Okay. Thanks for that. You mentioned Elasticity is running a bit better than your full year assumption. Underlying consumption is clearly better than what we saw for the quarter in scanner data, as you noted. And it seems for the most part that the headwind in the quarter from maybe some of the over shipping in 1Q was more or less offset by some of the shipping ahead of 3Q holiday activations and plans. So I guess my question is, with the magnitude of the upside versus consensus in the quarter, really on both organic sales and EPS, why there would not be more flow through to the full year guidance? And, you know, if it's greater investment behind all the activity you have coming, why would that not result in even better Organic for the year, especially as the category overall seems, you know, really quite healthy? Thanks so much.

Kirk Tanner

Yes, let me take that one. Hey, first of all, we really like our position in the second half to deliver growth. And we think we should look at the business in two ways. One, on a one-year basis, you'll see growth. On a two-year basis, you'll see really good growth. We, of course, encounter tougher comps in the second half, led by the Reese’s Oreo Innovation that we had last year. That is still performing very well. But it was, you know, a very big success that we're overlapping. But, you know, we have plans.

So we have some big opportunities to build on our second half with our Half Two Innovation and Merchandising programs. Things like Hershey, the Creme Bars, and we have the big Hershey movie also that has been really supported by customers. So we have some exciting programs in place for that. And we have solid visibility into our cost structure. So you should see, we should see some good growth on a one-year basis, and we should see really good growth on a two-year basis. I think one other thing that I'm encouraged by in the second half is that we have a robust Halloween planned. And so we can see those, you know, that visibility to that. So we're, you know, we're encouraged by what we see with Halloween.

Steve Voskuil

Yes, I'll just add, you know, we always expected the first half to be weighted to the top line, given the lapse that Kirk mentioned on the second half. The modest guidance increase reflects the replenishment that was expected to happen more gradually over the course of the year but was largely completed in Q2. And the balance is really just continued prudence for the macro factors, as you said, Andrew, that are kind of working in our favor or at least inside our expectations so far. But yes, we want to be prudent as we get to the back half. Still a lot of moving variables. And as Kirk said, you know, we do have some reinvestment planned on the back of that sort of action-packed innovation calendar.

Andrew Lazar

Thanks so much.

Operator

Our next question is from Max Gumport with BNP Paribas.

Max Gumport

Hey, thanks for the question. I just wanted to double click on the second half, specifically with regard to Merchandising shipments. So your commentary included remark about managing the timing of three key Merchandising shipments. I just want to make sure that there wasn't any unexpected pull forward of Merchandising items into 2Q relative to your initial plans. If you could offer any color on that, please.

Steve Voskuil

Sure. Be happy to. So there was a little over a point of shipments for Q3 merchandising that happened in Q2. That was just a little bit ahead of our expectations. However, that impact will largely neutralize against the extra shipping day in Q4, which is why we say the GAAP will be less material in the second half.

Max Gumport

Great. Very clear. And then looking a bit forward, so at your Investor Day, you provided growth targets for Organic sales and adjusted EPS in 2027. Can you provide an update on your visibility to these targets now that we're halfway through ‘26? And also perhaps comment on the interplay between these two. I'm specifically curious about how dependent your EPS target is on your Organic sales outlook. Thanks very much.

Steve Voskuil

Sure. Yes. Great question. So to clarify, the 2% to 4% range that we talked about is our long-term Organic net sales growth algorithm for North America Confectionery. Annual growth, of course, is going to vary based on category dynamics, seasonal timing, et cetera. For 2027, given the shorter Easter, we would see 2% as sort of the starting point for that segment in the ‘27 framework. On top of that, of course, we expect Salty and International to be accretive to total growth, and that's what keeps us within the enterprise long-term algorithm. And then keep in mind, when we set the earnings outlook for 2027, that framework was where we started. So the earnings outlook is based on that.

If we now kind of say, okay, hey, we're halfway through the year, how do we feel? I would say based on what we know today, we continue to look at that framework that we laid out as achievable. The environment's dynamic for sure, particularly around consumer behavior, competition, commodities, et cetera, but our plan was built with that flexibility and multiple levers to manage through the uncertainty. So we have good visibility into Cocoa deflation next year, even as futures remain around current levels. And of course, we'll provide much more detail as we get closer to issuing ‘27 guidance formally. But in summary, nothing we see today, commodities or otherwise, would cause us to move away from that framework.

Max Gumport

Great. Thanks very much. I'll leave it there.

Operator

Our next question is from Robert Moskow with TD Cowen.

Robert Moskow

Thanks for the question. Can we dig a little bit deeper into Dots? You cited some supply chain challenges, I think at the manufacturing facilities. Can you tell us specifically what happened and is it an easy fix or is there something, some kind of capital investment that needs to be made to upgrade the facilities?

Kirk Tanner

Yes, I'll take that one and thanks for the question. Yes, the Dots business is very encouraging but let me talk about a few specifics on this one. We really like what we're seeing from a consumer standpoint, I think first and foremost, with strong brand health metrics and consumer demand across the portfolio. So we continue to see robust runway for growth with our core brands and Dots is leading the way.

Now, having said that, we've had some growing pains in keeping up with strong demand, particularly the Dots business. And that is largely behind us. We saw this coming and we'd already increased our investment in automation and capacity, with capacity coming online in 2027. So we feel good about that. Automation will start helping us right now. So that's why I say it's largely behind us because we can see the forecast and we're in pretty good shape. And so I think the tough spot, the growing pains are largely behind us and we're ahead of that for ‘27. So I feel like that's where we're at with Dots and Dots continues to be a growth driver for us.

Steve Voskuil

And I'll just add, at the segment level, obviously operating margin came in a bit below expectations due to those supply chain challenges. And as a result of that, we had to use more spot freight usage, a little bit higher logistics costs, and some limited volume throughput versus what we had planned. Again, looking ahead, as Kirk said, we expect to see some margin improvement in the second half as we move to capture that demand and also optimize the supply chain while still having a little bit of a tail of elevated freight and logistics costs.

Robert Moskow

Okay, a follow-up. July 4th was like one of these tentpole events that you called out. How did that go and did these issues on Dots impact it at all or was it executed okay?

Steve Voskuil

No, not really. I think that Dots still has got tremendous opportunities around these, especially these Salty tentpole moments. So you'll see Dots come to life later this fall with fall football. It was not a massive part of our 4th of July execution in the first place. Now that's an opportunity for our future. But when you see the balance of the year, you're going to start seeing Dots in a lot of these Salty moments where consumers are looking for brands like this. So you'll see some more breakthroughs through that. So I feel good about where we're going. It didn't impact us that much for 4th of July.

Robert Moskow

Thank you very much.

Operator

Our next question is from Leah Jordan with Goldman Sachs.

Leah Jordan

Hi, good morning. Thank you for taking my question. I wanted to follow up on the Cocoa comments. You noted that you could see cost deflation into next year even if they stay at current levels and we've seen it creep up again here recently. I'm just curious if you could provide more color on your coverage or visibility on your cost into next year at this point; how we should think about the potential magnitude of deflation we could see. And any views on how you're thinking about Cocoa supply and are you planning any differently as you think about this potential El Nino environment this year?

Steve Voskuil

Sure. Well, let me take the first part and Kirk and I can tag team on the Cocoa supply chain question. So we've got good visibility into Cocoa deflation next year. I don't think at this point in the year we're going to get real specific and we will as we get closer to year end. But right now we feel good about the deflation we're seeing. We've got a good track record of managing through commodity volatility again with our hedging, pricing strategies, resilient categories, the productivity and all the other levers that we routinely use to manage that. So we'll share a lot more detail. I would just say we're in a spot where we typically be at this time of the year and with all those levers available to us as we look to ‘27.

Kirk Tanner

Yes. Yes. Let me talk a little bit about what we're seeing in the Cocoa supply. So El Nino, you brought that up. El Nino speculation is certainly impacting pricing today and lately, but we do not expect Cocoa to remain at current levels long term for a few reasons. If you remember the ‘23/’24 cycle, this is very different from that. And a couple factors that we're seeing. One, we're coming off of historic surpluses. Inventories are healthier. Supply is more diversified and the industry is much more agile. The recent ‘26 and ‘27 West African crop data is, I'd say, encouraging after a slow start. So even if some of the origins are impacted by El Nino, we believe the market is already pricing it in. There is plenty of Cocoa supply globally.

Steve Voskuil

And given that view that there's room for prices to come down, as you can imagine, the hedging strategies we use will allow flexibility to participate in further deflation as the markets normalize.

Leah Jordan

Thank you both. That was great color. And then I just wanted to ask about gross margin for this year. You slightly lowered the guide; I think now slightly below 400 basis points versus just guide points before. Maybe you can help us think about the magnitude we should think about there, or how do you characterize the word slightly? And I guess, what are you embedding in the guide for higher logistics costs in the back half and any phasing we should keep in mind for 3Q versus 4Q on gross margin? Thank you.

Steve Voskuil

Yes. So we still have, as you have pointed out, a significant lift in gross margins in the back half. We continue to see the commodity benefit coming through much more significantly than we did in the first half. And so that remains unchanged. And we're just below 400. We're not materially shy of the 400s, kind of use that as the reference point we've used before, previously a little above, I would say now just a little bit below. And some of that is just, again, some of the Salty components coming through as we work through those challenges. On the other side, productivity is doing really well. And so we're encouraged by what we see. I think we'll have a strong finish on productivity. We just have to work through those optimization components on Salty here over the last quarter.

Leah Jordan

Okay. That's very helpful. Thank you.

Kirk Tanner

You bet.

Operator

Our next question is from Peter Galbo with Bank of America.

Peter Galbo

Hey, good morning, Steve Kirk. Thanks for the question. I wanted to circle back on the Confection piece of it and maybe drill in a bit more on the untracked piece. It's not something we often hear a lot about. And again, if the math is correct, it suggests it was like 200 basis points of growth to the first half. So maybe you can just, again, unpack that untracked piece a bit more. I don't know if it was World Cup driven, people descended on the Times Square Hershey store. What exactly is going on in that untracked piece that we all can't see to kind of drive the outperformance?

Steve Voskuil

Yes, happy to take that one. Really, it's not quite that much. The biggest component inside there is food service. And we did see a pretty big pickup on the food service side. We also have some specialty retail and some other things that fold into that non-measured channel, but food service was the biggest piece. It also includes some compression of Easter shipments inside that number as well. So those are the factors. I think those are the biggest ones probably to call out.

Peter Galbo

Okay. Thanks for that, Steve. And maybe just, Steve, to your commentary in the prepared remarks, you mentioned that 3Q is still expected to kind of be strongest year-over-year earnings growth period. I think that was always the case, just given some of the comps. But maybe you can just remind us, what's embedded in the base period of 3Q of last year that still drives that pretty material earnings growth for 3Q specifically? Thanks very much.

Steve Voskuil

Sure. Yes, the biggest factor is 3Q had the highest Cocoa cost last year, and I would say the full brunt of tariffs. And so those are the two biggest things we'll be lapping in third quarter this year. So bigger tailwind in the third quarter than we'll see in the fourth.

Peter Galbo

Great. Thanks very much.

Operator

Our next question is from Michael Lavery with Piper Sandler.

Michael Lavery

Thank you. Good morning. I just wanted to touch on International. You called out in the prepared remarks good momentum there, but there's also some margin pressure. And I guess we look back at like ‘22, three and four, full year margins were above double digits. But last six or so quarters, it's run close to flat. Is there a structural change? Is that just some investments? And I guess also, can you just elaborate some on what is working with the top line and just give an update on all that?

Steve Voskuil

Sure. I'm happy to take kind of a start through that. Some real pockets that we're excited about, Brazil, the UK, India in particular were probably some of our strongest performing markets through the first part of the year. Demand's running ahead of plan. So feel good about that. Mexico, macro conditions continue to be challenging. But as we look across International in total, there's probably nothing from a competitive standpoint that kind of changes our long-term view that this is a positive opportunity for continued growth.

On the margin side in particular, you're seeing the higher Cocoa costs flow through with a little bit of a delay in International, as well as some higher logistics and freight impacting that segment as well. And then as we turn the year, so the first half is very strong as we kind of move to the second half, we are going to continue to do some optimization work to help long-term profitability in the International business. We'll probably share more about that as we get further into towards the end of the year. But that's expected to be a little bit of a drag on margins in the back half relative to the front half. But we'll ultimately unlock further margin improvement as we look forward. So in total, very excited about that business, strong first half, some real pockets of strength. But also we're making choices to set it up for long-term success.

Kirk Tanner

Yes, I'll just add a few things. When we look at the portfolio in these anchor markets, we like what we're seeing. We like the competitiveness, how we're performing in markets like Mexico, Brazil, Canada, the UK. So we like the performance, we're building momentum. There's certainly some opportunities and we've seen real progress inside the business.

Michael Lavery

Okay, great. That's helpful. Can I just come back to buybacks? You seem to have indicated typically it's one of the lower priorities in capital allocations. You've obviously been investing in the business. It doesn't look like you've got M&A (inaudible) that we're aware of, kind of ready to get announced. But is there room for more deployment to buybacks for the second half? How should we think about that?

Steve Voskuil

So, we always want to be good stewards of the shareholder's capital. And so, as you said, I would never call it a low priority. It's probably down the pecking order behind the Organic investment and smart M&A choices and so forth. And as you've heard, we've got some great Organic investments. We're raking behind the PACT Innovation Calendar, etc. The M&A pipe, we continue to work in that space and want to make sure that we always have capacity.

But share buybacks puts good tension into the process. And so, if we sit here today, I would say we don't have anything in the back half planned for additional share buybacks, but we're going to remain optimistic. And as you saw, we've got some additional authorization, and that just reflects, again, the ability to make sure we're being good stewards of cash, not sitting on it, making sure we're deploying it wisely. So, nothing more planned, but we're going to remain optimistic or opportunistic, I should say.

Michael Lavery

Okay. Thanks so much.

Operator

Our next question is from Chris Carey with Wells Fargo.

Chris Carey

Hi. Good morning, everybody.

Kirk Tanner

Good morning.

Chris Carey

Steve, I wanted to just ask a question about the medium-term targets that you've laid out at the recent Investor Day. And in light of the recent rise in Cocoa prices, I think there's a dynamic where the year-to-date Cocoa prices will have allowed you to be quite well hedged for 2027. That in mind, 2028 prices are either tracking around where 2027 are. And certainly, your medium-term outlook implies maybe like a low double-digit growth rate from where guidance is today. I realize that can move around based on where 2027 and 2028 land, but certainly strong earnings growth over the next several years into 2028.

And I guess my question is, how much of that path into your 2028 aspirations will be dependent on you needing to see Cocoa deflation, maybe material relative to where your 2026 Cocoa coverage is, rather than things that you can control yourselves or potential longer-dated hedging that you could do earlier than normal to give you the sort of visibility to achieve those targets?

Steve Voskuil

Sure. 2028 is a long time away, so we'll have some work to do to probably fine-tune the outlook there. But philosophically, we have good visibility into deflation for Cocoa for 2027. Certainly, we'd love to see it have a multi-year run where we could capture that. At the same time, we're not sitting still basing the whole business around Cocoa, right? We want to continue to drive meaningful top-line growth. We want to restore volume over time. We want to bring the best innovations to the category, be the best partner for retailers. And we want to be smart between the lines, driving ongoing productivity savings, particularly off the back of our technology and capacity investments.

So I would say, as I look to the future, continuing to grow the business and have margin improvement is not solely resting on Cocoa deflation by itself. Certainly, that's going to be held for 2027. It's in the plan. (multiple speakers)

Chris Carey

Okay. The second question is around margins in the Snacking business. You've seen an increase in freight and logistics costs. That's part of the slightly lower gross margin outlook for the year. Can you give us a sense of how you're viewing margins in your Snacking business in the back half of this year and perhaps for a medium term, given some of the dynamics you're dealing with right now?

Steve Voskuil

Yes, we've got some margin pressure in the Snacking business in the back half, really principally around those factors. As we get further into fully optimizing the supply chain off the back of the investments that Kirk mentioned earlier, we do expect modest margin improvement as we go through the second half. So we're expecting improvement, but we'll be in better shape as we get to 2027, and I'd say we've got the supply chain more fully optimized. Until then, we're going to still have, like I said, at least a tail of elevated freight and logistics, mostly because we're going to spot market to maintain service while we optimize internally.

Chris Casey

Okay. Great. Thank you.

Operator

Our next question is from David Palmer with Evercore ISI.

David Palmer

Thanks. Good morning. First of all, thanks for the comments on 2027, including that 2% Confection sales growth target. I would imagine that will be a focus area for people, as confidence grows that you could do that, then that would be reflected in the stock. So maybe that's worth double-clicking about what you think will be needed to achieve that in terms of market share. How much is market share stabilization a priority and a necessity to do that type of growth? Just how are you thinking about that? And how, if any way, are you adjusting to what you've been seeing so far this year? Thank you.

Kirk Tanner

Hey, David. I'll take that one. Yes, I think that's a really important question, because I think it drives this disciplined approach to the balance that we're driving in the business. And we remain confident we can make progress on both margin and share over time. So this year, I would just say we are on track to deliver our top line, our margin, and our EPS expectations.

Now, the market is hyper-competitive, and the competition in this category really drives the resiliency and the durability of growth. And we're seeing a lot of innovation growth this year. And we're building an innovation pipeline. We have a big innovation plan for the second half. We talked a little bit about it in our comments. And we have a pipeline in ‘27 and ‘28 that we have reviewed already that gives us confidence that we're going to build that share momentum.

What I like about margin recovery and share performance is it's in the right places. Innovation that drives growth and profitability is a great way to grow the category and grow the business. That's why we have confidence that we can make meaningful progress on both margin and share performance.

David Palmer

I wonder, on the topic of Innovation versus perhaps these activations or tent poles that you've been doing this year, has anything surprised you in terms of the response on the tent pole stuff? And then how would you characterize sort of the give and takes, the year-over-year comparables of your intensity of tent poles and Innovation in ‘27 versus what we're seeing in ‘26? And I'll pass it on.

Kirk Tanner

Yes, no, that's a really good question. If you think about how we look at the business, we look at our core everyday business, our performance around seasons. We've added this dynamic with tent poles. And it's really raised our execution on some key things. I would tell you, I would look to the summer execution with the Celebration of 250 and our S'mores performance. It was exceptional. It gets better every year and the bar gets higher. And it's something that we're famous for, but we could take it even further. We added Innovation in the space with, I don't know if you guys are making S'mores, but you got to get on board, especially with the caramel. That is growing our business. Plus the execution around the tent pole is good.

I expect us to get even better at these tent pole moments. I think about fall football. We like them because they fit nicely in between the seasons. But we look at the business just like that. We look at how we're performing on our everyday business, our immediate Consumption business. Our seasons were incredibly disciplined around seasons. And that's why, you know, if you think about the first half, we gained share across seasons. We like what we see in the second half with the Holiday season and Halloween. So we'll still stay focused on that because that's a huge part of the business. And then supplement the growth with the tent poles. And I can tell you we're getting better at those as time goes on.

David Palmer

Thank you.

Operator

Our next question is from Alexia Howard with Bernstein.

Alexia Howard

Good morning, everyone, and thank you for the question. Can we ask about the outlook for volume recovery in the North American Confectionery segment? Obviously, price growth is going to slow. Would you expect a fairly rapid improvement in the volume trend as we move into the back half and out into 2027?

Kirk Tanner

Yes, let me take that one. Look, as commodity inflation eases and pricing Elasticities normalize, we expect volume trends to improve over time. I tell you, in Q4, we still have some high single-digit pricing that's tied into the seasonal actions that we've taken. But we look at the coming year, and we expect early signs of improvement coming across, especially our Hershey brand portfolio. We have a lot of activity in Q4 with the Hershey movie. So we see that recovering early. Jolly Rancher, our premium bands, including Cadbury, we see some momentum. That momentum will continue through 2027.

Alexia Howard

Great. And then as a follow-up on continuing with pricing, Salty Snacks, you had pricing slightly down this quarter because of the investment in trade promotion, I believe. Is that expected to continue into the back half of the year?

Kirk Tanner

I think from a Salty perspective, we're going to see balance. Of course, we constantly look at pricing as an equation, certainly strategic pricing, understanding inflationary pressures on the business and being competitive and being right with consumers. So I'd say it's a balanced approach. That's how we take a disciplined approach across all of our businesses. But I think there's not going to be any big surprises from a Salty pricing standpoint in the second half of this year.

Alexia Howard

Thank you. I'll pass it on.

Operator

Our next question is from Peter Grom with UBS.

Peter Grom

Great. Thank you. Good morning, everyone. So I wanted to follow up on an earlier question around ‘27. And I think you noted the framework still holds based on where things stand today. You have good visibility on Cocoa depletion. But you also touched on kind of the external volatility that has picked up this year. And I guess I would imagine that when you provided annual guidance two years out back in March, that you probably embedded more flexibility than usual. So just given how the environment has evolved, has that level of cushion shifted at all or is it really unchanged?

Steve Voskuil

It's definitely been volatile. But I would say, is next year more volatile than this year or last year? It's hard to say. But to your point, when we built that outlook, we take account of all the levers that we have inside the P&L to manage across. So that's levers on sales, pricing and buying, but also levers in the rest of the

P&L, as well as how we think about investments, reinvestment, productivity, and so forth. And again, picking on productivity a little bit, it's a place where we've been able to overdeliver for a number of years and make some smart investments in technology and capabilities that'll bear increasing impacts as we go forward.

So notwithstanding what will no doubt be a very volatile 2027, we still feel that the framework that we articulated earlier this year is still the right starting point for the year.

Peter Grom

Thanks for that. And then you noted that SNAP impacts have been pretty modest, and I think reductions have been better recently than they were earlier in the year. So can you maybe just speak to that specifically and maybe what's embedded in the outlook from here?

Kirk Tanner

Yes, let me take that one. We've been staying very close obviously to this one. The SNAP waivers versus the outlook, I'd say it's slightly better. It's what we planned. I thought we did a really good job planning for the impact of SNAP and we've been very close to it. Where the difference comes in is the early adopting states had a little bit higher of an impact than the recent states, notably Texas and Florida. So they've been on the lower end. So the balance of that has been where we've seen a little bit of upside. But overall, I would say it's in line with what we planned. And for me running this business, it feels like that's the right approach, being able to understand the macro and plan for it accordingly. And so that gives us the confidence moving forward that we can have a good eye on these macro impacts.

Peter Grom

Great. Thank you so much. I'll pass it on.

Operator

Our next question is from Scott Marks with Jefferies.

Scott Marks

Hey, good morning all. Thanks very much for taking our questions. Wanted to ask about the cadence or phasing of the top line in the back half. Sounds like there's a lot of moving pieces between lapping the Reese's Oreo Innovation, some of the new innovations coming out like Creme Bars, as well as the Reese's Pieces Cookie, Hershey movie, recovery from some of these Salty supply challenges. So just wondering if you can give us an idea of the shape of Q3, Q4 across the different segments. Thanks.

Steve Voskuil

Yes, I'll just say on the North America Confection business, it's possible we'll see some periods of negative everyday Confection Retail sales growth, but we anticipate strong seasonal performance. And for Organic net sales, we expect growth in both Q3 and Q4 for the segment. So we've got some tough laps, but for the quarters overall for the segment, we expect to see some growth.

And as we talked about earlier, the second half shipment gap is expected to be less material in Q3 program shipments. And the impact of that extra shipping day will help to neutralize that. So that's about as much color as we're probably going to give on the profile. It's good, like Kirk said at the beginning, it's pretty action packed back half given the innovation launches.

Scott Marks

Understood. Appreciate the color there. And then second question for me, in the prepared remarks, I think they called out A and C expense down about 3% in the quarter. Wondering if you can unpack that a bit for us, you know, why was it down and how should we be thinking about the cadence of the ramp into H2 and as we get into next year?

Kirk Tanner

Yes, let me take that one. It really is tied to the programming that we have. And you know, the balance of the year, we have quite a bit of programming that supports the Innovation launch, that supports the Hershey movie, and then supports movement into 2027, meaning we're investing in things in the fourth quarter that should give us momentum and get off to a good start in 2027. So it comes down to the timing of programming and investments against the big initiative that we have to create demand and to execute against the demand. It's mostly timing. And then, you know, the second half, we have good investment against delivering on, our core brands, Reese's and Hershey, but you'll also see programming around Cadbury, Payday and Fulfill. So we like the investments we're making, and they're tied to driving the growth and keeping the momentum going.

Scott Marks

Appreciate it. I'll pass it on.

Operator

Our next question is from Jim Salera with Stevens Inc.

Jim Salera

Hey guys, good morning. Thanks for taking our question. I wanted to circle back to the conversation around pricing on Salty. I know there's been a lot of valuable discussions about pricing, you know, coming down across the categories, some other high level, large brands talking about taking some net price declines. Could you give us some color on where your brands sit on the price ladder relative to peers in that category?

Kirk Tanner

Yes, what I would tell you is we've been very prudent and patient with pricing on the Salty business. The pricing gaps have narrowed, but, if you look at a piece of history, you know, we've been very balanced in our pricing on our Salty business and very competitive. And I would say that is our focus. We will be competitive with price points in the categories that we participate in. Now, we participate in a premium position with our core category—I mean, our core brands, especially Skinny Pop and Dot Pretzels. They're, you know, they are premium and permissible. And of course, now with LesserEvil performing very well, I'd say overall, our pricing structure has been very disciplined, very competitive, positioned right where consumers expect it. So, you know, I think it's a bit different than the rest of the category. I think we're in a really good place.

Jim Salera

And if I could shift gears and ask, we talked a lot about the tent poles and the contribution this year and in the back half of the year, but just give me some thoughts on, you know, immediate consumption occasions and everyday consumption on Confectionery, particularly in the prepared remarks, you know, you highlighted consumer softness persists, but elasticities are still a little bit better. And so you're trying to square, you know, is there something we should be on the lookout for given the macro uncertainty that might swing those elasticities either, you know, more to negative or anything that keeps you confident that we'll continue to move forward at a better pace?

Kirk Tanner

Yes, the Elasticities have been, like we said, they're on track or slightly better. And that's exactly how we look at the business. We look at our immediate Consumption business and our execution across Convenience and our Take-Home business. And those are really important core businesses that we look at. And that's where we've seen, you know, stable Elasticities, or at least against what we've planned. So that gives us the confidence. So that's exactly how we look at it. And then we fold in seasonal performance and then tent poles. But our starting point is always our core business, and that's our Take-Home business and our immediate Consumption business. And when we talk about those elasticities, those are what we're talking about being on track.

Operator

Our next question is from Tom Palmer with JP Morgan.

Tom Palmer

Good morning. Thanks for the question. Maybe I could just start out on just the topic of price gaps in chocolate. They have widened, especially versus a key competitor. In the release, I think some of the volume share changes we've seen were discussed as more being related to Innovation. Could we maybe just unpack what you're seeing in terms of, you know, price gap versus Innovation as drivers of that share? And then based on your Innovation timing, when do you think we're going to start to see a real shift in kind of unit share on your end? Thank you.

Kirk Tanner

Yes. Let me take that one as well. You know, look, first, the year-to-date share...sorry, I'm losing my voice this morning. I apologize to everyone. Look, year-to-date share dynamic is largely driven by Innovation. Our pricing and our price gaps are largely as expected. And our Elasticities, as we just talked about, are tracking slightly ahead of our expectations here today. So, we watch these price gaps all the time. And we want to be competitive in the market. We will to be competitive in the market. We regularly also make small adjustments where we see opportunities. And moreover, we'll invest in trade in the second half to support the big Innovation and Merchandising programs, just like we talked a little bit about.

So, when we go to market with our customers, you know, we support the things that we're putting out on the perimeter, that we're selling, that we're, you know, driving that growth. But, you know, a couple big drivers that I talked a little bit about earlier that are happening in the category, which I really love about this category and the resilience of it is Innovation plays a big role. Innovation has played a big role this year. Innovation will play a big role in ‘27 and ‘28. And I love our pipeline that we have on Innovation starting in the second half, going into ‘27 and in ‘28. So, that gives you confidence that, you know, we're going to be very competitive and grow with the category or ahead of the category.

Tom Palmer

Got it. Thank you for that. And then, Steve, maybe could we put a finer point on how we think about third quarter in the context of having the highest earnings growth of the year? I mean, any sort of range maybe would be ideal, but as a starting point, the absolute level of earnings, should we think about 3Q or 4Q being higher? Thanks.

Steve Voskuil

Yes, I don't want to get as specific as starting to give more quarterly guidance, but I would say from an EPS switch quarter, they're probably pretty close across the two between in absolute dollar EPS. And I'm looking across at an area to say, did I get that right? Yes. So, but that's probably as much color as I think it's reasonable to give.

Tom Palmer

Understood. Thank you.

Kirk Tanner

You bet.

Operator

Our next question is from Steve Powers with Deutsche Bank.

Steve Powers

Oh, great. Thanks. Just two quick follow-ups, I guess. The first one, Kirk, on Elasticities, as described, tracking in line or slightly better. I guess, does that hold true as you look across performance maybe by income cohort? Just curious if there's any subtleties there. And if so, in terms of the broader revenue growth management strategy, anything that you might tweak in the program looking forward versus what you've been doing so far?

Kirk Tanner

Yes. I mean, I think this is always a dynamic place to look. I look at the channels in which we're participating, and we've got really good balanced growth across channels, across the dollar convenience channels. I would tell you, just the consumer studies that we do, low-income households certainly are feeling more pressure, but we're still seeing a balance across those channels right now, I would tell you. So, the Elasticities that we're seeing are pretty very consistent with what we would expect, but we're always paying attention to the consumer and what their needs are. And we're looking at solutions through packaging and other offerings for consumers by channel so that we do stay hyper-focused on delivering what they're looking for and driving affordability. And so, that's really still important to us and a part of our ongoing strategy.

Steve Powers

Okay. Great. Great. And then just on the upcoming Halloween season, maybe just a bit of a further preview on programming, just kind of what you're planning, engagement with retailers, et cetera. And maybe is there anything different than what we've seen in the past?

Kirk Tanner

Yes. Look, we took a lot of learnings from Halloween, and we've already started shipping Halloween, so we have good visibility to the orders. And our activation plan with our frontline sales team is really dialed up this year. And I would say we've got great support with our customer partners on bringing this to life. So, again, Halloween starts fairly early. We even call it Summerween. It's off to a really good start. So, it's coupled with, hey, look, what did you learn from last year? How can we reach consumers better? How we can be better partners with our customers? We've put those things into place for this year's Halloween, and we feel good about where we're going to be.

Operator

Thank you. We have reached the end of our question-and-answer session. This concludes today's conference. You may disconnect your lines. Thank you again for your participation.