



The Hershey Company

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C O R P O R A T E P A R T I C I P A N T S

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C O N F E R E N C E C A L L P A R T I C I P A N T S

Andrew Lazar, *Barclays*

Megan Clapp, *Morgan Stanley*

Peter Galbo, *Bank of America*

Peter Grom, *UBS Investment Bank*

David Palmer, *Evercore ISI*

Leah Jordan, *Goldman Sachs*

Max Gumport, *BNP Paribas*

Jim Salera, *Stephens Inc.*

Tom Palmer, *JPMorgan*

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PRESENTATION

Operator

Greetings and welcome to The Hershey Company Fourth Quarter 2025 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 Norton, 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's Fourth Quarter 2025 Earnings Q&A session.

I hope everyone has had the chance to read our press release and listen to our prerecorded management remarks, both of which are available on our website. In addition, we have posted a transcript of the prerecorded 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 operations and financial 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 filings.

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 considered 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.

I will now invite Kirk to begin with a brief introduction.

Kirk Tanner

Hey, good morning everyone. Thank you for joining us.

Before we get to questions, I just want to recognize our team and what they accomplished in 2025. Through skillful execution we strengthened our market position, we invested for the future, and we closed out the year with real momentum, all while navigating serious headwinds like cocoa inflation and macro volatility.

Heading into 2026, I am confident. Our portfolio is resilient. We're looking at 4% to 5% net sales growth and meaningful earnings recovery, and that gives us runway to invest in innovation, brand building and execution to drive growth, and we are going after it.

Thanks for attending the call today, and we're ready to take your questions.

Operator

Thank you. As a reminder, it's star, one to join the question queue. To allow for as many questions as possible, we ask that you each keep to one question and one follow-up.

Our first question comes from the line of Andrew Lazar with Barclays. Please proceed with your question.

Andrew Lazar

Great. Thanks so much. Good morning everybody.

Kirk Tanner

Good morning.

Steve Voskuil

Good morning, Andrew.

Andrew Lazar

Hi. Maybe to start, I appreciate obviously the chocolate category is typically not one that is a passthrough category and that Hershey and others are still hedged well above where current spot rates are for cocoa at this point. But I guess just given the precipitous recent decline in the commodity, I guess, is there a risk maybe this time around that we could see some price deflation at some point, by either Hershey or competitors, to sort of better match go-forward cocoa costs? And, I guess, how do you account for that sort of possibility in the guidance?

Kirk Tanner

Yes. Thank you for the question. Our competitors in the category are sophisticated, and they're large like ourselves, and they likely have coverage for more certainty in their business. Private label remains small here in the U.S. So that's kind of the first point. But there's a big conversation around how we think about pricing and the price of cocoa, etc. I'd like to make a few points here.

First, we don't take pricing lightly, and we've been very patient and played the long game when cocoa market surged to balance consumer needs. Our actions that we've taken are anchored in consumer insights and the brands remain affordable and accessible. Seventy-five percent of our portfolio is still under \$4. The pricing we took in '25—I think this is important—does not fully cover our cocoa cost inflation in 2026. So we are on a recovery path while also adding significant fuel to our growth with investments in marketing, innovation, R&D, really to keep that momentum on the top line going, and keeping the category exciting for consumers and keep that growth moving into '26—or beyond '26, into '27 and '28.

Then recently, pricing on our snacks business, I think we're in really good shape. We had 18% growth on our snack business in Q4 on double-digit volume growth.

Let me get a drink. Sorry, Andrew.

Andrew Lazar

No, no, take your time.

Kirk Tanner

That's kind of in a broad response to what we see in the market.

Certainly, the deflationary momentum on cocoa takes future pricing pressure down. That's how I think about it.

Andrew Lazar

Got it. That's helpful. Then just a follow-up, I guess regarding elasticity. It's great to see that it's thus far coming in more favorably than you anticipated. I guess I'm curious as to what maybe do you owe this better outcome? And is the company building in some flexibility in the plan, should elasticity increase as we've seen maybe in some other markets for some other players? Thanks so much.

Kirk Tanner

Yes, let me start and I'll kick it over to Steve. I think his voice might be stronger, right?

Anyway, look, we're encouraged with what we've seen so far. We announced pricing in July. We started taking pricing mid-September, and so we've gotten information that it's informed and our information is informed on what we're seeing right now, and we're encouraged by what we're seeing right now.

Steve Voskuil

Yes, and I would say elasticities don't stay static. It fluctuates over time. While we're experiencing elasticities right now that's favorable to our original outlook, we continue to plan for around 0.8 to account for these fluctuations as there's still some price pack changes to roll in. There are still some channels rolling shelf tags through, so it's going to take a little bit longer, I think, for everything to fully adjust.

Of course, our goal is to do better than that. So with the strong activation calendar that we have, some of the investment that we have, our goal is to do better, but the guide allows for some of that upside to flow through.

Andrew Lazar

Thanks so much. See you in March.

Steve Voskuil

You bet.

Kirk Tanner

Thanks, Andrew.

Operator

Thank you. Our next question comes from the line of Megan Clapp with Morgan Stanley. Please proceed with your question.

Megan Clapp

Hi. Good morning. Thanks so much. I'll maybe start with a question for Steve to give Kirk—maybe give you a little bit of a break.

Another question on cocoa, but more related to the margin framework. So I think in the prepared remarks, you talked about stable rates across the broader commodity input basket. Just given the precipitous decline we've seen in cocoa, how should we think about cocoa within the framework? Were you able to kind of

capture any benefit from what we've seen over the last month? Or is this really a tailwind as we think about '27?

What I'm really just trying to get at is, I think you're implying 41% gross margins and in '26, obviously, a really nice recovery from '25, but still well below where you've been historically. So based on where cocoa has gone, is it kind of reasonable to expect continued progress kind of back towards those historical gross margin levels in '27? Thanks.

Steve Voskuil

Yes, happy to take it. We're glad to see that the cocoa financial markets have finally begun to reflect some of the fundamentals that we've been describing, really for the last 18 months. As we look out, we continue to anticipate a larger supply surplus in '25 and '26, driven by supply expansion in some of those new origins we've talked about, as well as a contraction in global demand. So I'd say we're optimistic as we look to the future.

That said, there's market volatility still as prices are trying to find that new equilibrium. And I think we still believe that new equilibrium is likely to be above what we've seen in historic levels.

Our hedging program has us in great shape for 2026, and we're hedged above current market levels. So if you kind of extend current market levels flat, that would suggest that we still have some upside for further deflation in 2027. We'll talk more about that as we give more 2027 and '28 perspective at the conference, but as we look ahead we see more possibility for upside there in the future.

Megan Clapp

Okay. Great. Maybe kind of a related question. A lot of discussion in the prepared remarks about the increased brand investment you're doing in 2026, including a double-digit increase in advertising. As you look out to '27, how should we think about kind of the durability of the increased brand investments you're making in '26? As you mentioned, as gross margins hopefully kind of continue to expand as cocoa deflates, how do you think about kind of the need or desire for incremental reinvestment beyond what you're doing in '26?

Steve Voskuil

Sure. I mean, I think I would think about the things we're doing in '26 are in some cases multiyear investments, that are going to lay a foundation for not just '26, but '27 and beyond, while still delivering great growth in the present.

We're really focused on fueling demand creation through things like scaling some investments in R&D and innovation, brand building, the retail sales team and the technology around that. That sets the portfolio up and really focuses on household penetration expansion and capturing new consumers, recapturing some of our lapsed consumers. So the investments are a mix of things they're going to deliver today, but also things that are laying a foundation, a multiyear foundation.

And again, as we look to '27, '27 is also going to be a year like '26 of driving growth, but also margin recovery, so that balance will be present in '27 just like it is in '26.

Kirk Tanner

Yes. We'll go into greater detail at our investor conference in March and really unpack this brand building, our investments in R&D. The solution here is to have sustainable long-term top line growth and those capabilities and investments that we make are really important and we'll unpack that in March.

Megan Clapp

Great. Thanks so much. Looking forward to it.

Operator

Thank you. Our next question comes from the line of Peter Galbo with Bank of America. Please proceed with your question.

Peter Galbo

Hey, good morning, guys.

Kirk Tanner

Good morning.

Peter Galbo

Thanks for the question. Steve, I actually was hoping maybe we could unpack the quarter a little bit. You had some pretty nice upside in the gross margin, I think, even relative to your own expectations to the tune of like 250 basis points plus. I know you outlined maybe some of that in the prepared remarks of the buckets, but maybe you could just give us a little bit more detail on the upside in the quarter between kind of tariff, cost savings on deleverage, where those kind of buckets stood?

Steve Voskuil

Sure. Yes. You're right. We had a few hundred basis points of better performance in gross margin than we expected in the fourth quarter. There are a couple of things in there. Obviously, volumes were strong, so we got a little bit more leverage. But probably the single biggest piece was tariffs.

Now we think about tariffs in two ways. Tariffs on our products, which we have high visibility to, and we'll talk about that as some of that is still sitting in inventory to come out in Q1. But we also pay tariffs on some of our suppliers' items and that was an area where we anticipated paying more tariffs on some of our suppliers' materials than we ended up paying in the fourth quarter. That was one of the, I'll say, surprises to the upside or the positive for the quarter.

Offsetting that, we had a little bit of LIFO headwinds, inventory rebuild headwinds, but that was the biggest piece for the upside.

Peter Galbo

Got it. Okay. Thanks for that.

Kirk, the prepared remarks had a notable on kind of Hershey and Reese's having a true campaign for the first time in eight years. I was commenting to Anoori this morning I've seen the Team USA ad. It's great ad copy. But just the impetus kind of for why now? Why this? Why now on both those brands? Again, given it's been some time would be helpful? Thanks very much.

Kirk Tanner

Yes. Thanks for that question. This is the year of Hershey, and we're investing in Reese's as well. But—when you look at the campaign 'It's your happy place with Hershey's,' that really builds on the connection and love that consumers have for the brand.

Staying relevant with consumers on big brands is so important to fuel our growth. We've got a full year planned on both Reese's and Hershey. You'll see innovation on both. There's big innovation coming out on Hershey. And then of course, we have the movie celebrating Milton Hershey and, really, the Great American Story, success story of The Hershey Company coming out in the fall. So it really is an action-packed year that really celebrates these two big brands, and that drives growth for us.

Peter Galbo

Great. Thanks very much.

Kirk Tanner

Thank you.

Operator

Thank you. Our next question comes from the line of Peter Grom with UBS. Please proceed with your question.

Peter Grom

Great. Thank you and good morning everyone. I wanted to ask on the '26 guidance, and understanding a lot has changed over the last few months as it relates to cocoa, tariffs, elasticities, but I kind of wanted to bridge from the expectation last quarter being on algorithms maybe being a little bit above that, post tariffs to now kind of expecting 30% to 35% earnings growth. I ask that more in context of trying to understand degree of cushion, or flexibility in the guidance, just given the expectation for such strong growth.

Kirk Tanner

Yes. Let me address just the momentum on the top line and let Steve talk about the EPS portion.

If you think about what's different between now and when we talked last, is the momentum in the business, and it's across the portfolio. So we've got real strength in our C&G business and continue to see that. And then fundamentally, how we're investing in our brands and delivering innovation, that gives us the confidence on the top line.

Then our Salty portfolio has been really—it's got a lot of tailwinds. It's really positioned with consumers in the right places. Again, we saw 18% growth, organic growth in Quarter 4 in our Salty business and that's double-digit volume growth. We see real health there.

And the combination of our Salty and Sweet portfolio gives us the confidence to deliver the top line, which also, of course, helps our earnings, so that's different.

And then on EPS, Steve can talk through the levers there.

Steve Voskuil

Sure. It's a good spot to be in for a change where we have two of our biggest risk, cocoa and tariffs fully understood, at least up to the moment—for the year. So that's a good place to start.

On top of that, since we last talked, we've got a better view. We get new data every day on elasticity, we feel better about what we're seeing. We haven't, as we said earlier, unbuilt all that potential upside into the plan, but we believe we've got a good balanced outlook on elasticities. We've got strong operating plans that Kirk and I have been through in detail in the last few months and we're excited about those. And at the

same time, we're balancing that with understanding the headwinds from the macros and making sure that we've got a balanced view of how those could play out for the year.

As we think about the gives and takes that we sometimes focus on, what's in our control and what's outside our control in our control, as we said earlier, we want to do better on elasticities and we've got strong programming and brand engagement to do that. We've got investments in innovation, media, in-store activation. And then the ability, which we've done a great job of, delivering on productivity and cost savings. So we've got very high confidence in that set of controllables.

But there are things out of our control: macro headwinds, which, again, I believe we've got a prudent outlook for; competitive response – again, we're not seeing anything today that's causing concern, but these are the things that we will certainly keep an eye on.

I think a key as we think about the '26 guide is that we have flexibility to respond to what's going to change and challenge. We've done a good job of being agile in '25 and we will do the same in 2026.

Peter Grom

Great. Maybe just a follow-up on Salty. There was a competitor this week that talked about affordability, price reductions, that they're seeing expanded shelf-based distribution. I know there's some subcategory differences, but just curious how you see that playing out for the category and maybe any implications for your business as well

Kirk Tanner

Yes. Our Salty business has got a lot of momentum, like we talked about. Eighteen percent double-digit growth for the full year and really healthy volume growth.

Customers reward space on performance and velocity. That's the fundamentals of the category management and so we are as well—we're expanding with our customers and customers need our growth.

If you think about the category, the Salty category was relatively flat last year, and we grew double digits. We provided a lot of growth in the category, and we'll continue to do that with our customers, and we'll be rewarded with space gains and additions, including support for the innovation that we bring out on our Salty business.

I feel really good about the fundamentals of where we are with our Salty business, and that momentum will continue.

Peter Grom

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

Operator

Thank you. Our next question comes from the line of David Palmer with Evercore ISI. Please proceed with your question.

David Palmer

Great. Thank you. Good morning, guys.

Kirk Tanner

Good morning, David.

David Palmer

I want to hit on that line of questioning you had earlier. People right now are going to be wrestling with how to think about earnings into '27, which is ridiculously early I know, but people are going to clearly be imagining 10 bucks or more in earnings in '27. Just thinking through where cocoa is today and likely it could be in the 4,000s for that upcoming year just based on how you might be hedging this year into that year, I'm just wondering like things that would maybe not make—we don't want to get ahead of ourselves in terms of flow through, things that could hold back that flow through to get to those types of numbers. Price elasticity moving over 0.8 I would imagine would be one. But other wish list types of reinvestments; any thoughts on that would be helpful. And I have a follow-up.

Steve Voskuil

Sure. As you said, we'll unpack this more in the Investor Day.

I agree with you. I think we all agree the external factors as we look out seem to be improving. Cocoa, one of those, we'd agree that today if you were to snap a chalk line, you'd probably say that looks like a potential tailwind for 2027. But it's still volatile. It still hasn't found its new normal and we continue to watch it.

On the other side, we are going to, as we said earlier, continue to make investments in the portfolio and products that are going to set us up for multiyear performance. We feel good about what we have in the 2026 plan. Some of those are going to carry over into 2027.

We are always going to balance the margin recovery and the growth, so don't think about that investment has taken away that margin recovery, but it's a balancing factor to make sure we enable long-term growth.

And then as we talked about earlier, we're going to watch those macros very closely. We'll get more data on SNAP. We've got a lot of data coming in on GLP-1s. Just like many of you do, we have a team of people who does nothing but study and analyze these macros to understand the impact on our business. And so we have built in, what we believe is the best information today into that guide, but that will be a place we'll watch as it develops over the course of this year and we get more data.

David Palmer

Thanks for that. I don't want to front-run your Investor Day, but Kirk, you obviously have been in the CPG space for a while. You have fresh eyes on this business. You obviously have a chance to—you have a say in the plan for '26 and '27. In terms of how we should think about the type of growth activations and the things that you're doing, the levers that we will see more of perhaps than that we've seen in the recent past, any thoughts on that? Just tease the Analyst Day a bit. Thanks.

Kirk Tanner

Yes, let's tease it out. But hey, look, first of all, we'd love to see you all on March 31 in New York. We're excited to share that. I'm excited to share the plan.

So, 2026 is really the first chapter of our next generation of growth. What we'll kind of share with you is the portfolio that we're building—look, we have a terrific portfolio today. We'll continue to invest in that portfolio, and we're going to double down on our strengths. Those strengths will fuel that top line growth while we return earnings to our shareholders, and we'll bring that to life at the Investor Day. We'll be very articulate about what investments we're making, what capabilities and what outcomes we expect, but you'll see that really come to life. We're really excited to share that with you.

David Palmer

Thank you.

Operator

Thank you. Our next question comes from the line of Leah Jordan with Goldman Sachs. Please proceed with your question.

Leah Jordan

Good morning. Thank you for taking my question. There just seems to be a lot of attention and excitement about the innovation and activation plans in a lot of your commentary today. So, seeing if you could provide more color on the plans you have for the coming year – key timing we should think about? And then I think ultimately, how do you think about growth and innovation versus core for the coming year? Thank you.

Kirk Tanner

Yes. I think it's a balance. We just talked about some of the investments we're making on Hershey's and Reese's. I think that quality core growth is really important, and there's innovation in those places as well. But innovation is so important to the category, and we've had some really good innovation as of late. Reese's Oreo has been a really nice tailwind for us and that continues through most of this year where we have—two-thirds of the year we'll have that being a real positive to us.

Then we have a pipeline of innovation that we're launching across our Sweets and Chocolate portfolio that we're excited. Plus we have really good innovation on our Salty business.

So, innovation on our Hershey brand, Dot's brand, SkinnyPop, Jolly Rancher, you'll see all that innovation. We'll share all that innovation at our upcoming Investor Day, but it is robust.

Then if you think about '27 and beyond, it's important that we have a pipeline of innovation that continues through '27 and that's why we're making continued investments in R&D, so that we can come to the market faster with the most relevant consumer-facing ideas, and we'll share that pipeline as well.

Leah Jordan

Okay. Great. We'll look forward to that.

I think for my follow-up, I just wanted to go back to the gross margin discussion, specifically around this year and the cadence. Thank you for the color on the 400 basis points we should expect for the full year, a little bit of pressure in 1Q and it should improve thereafter. Any more color on the puts and takes we should think about in the magnitude of that improvement as we go through each quarter? Thank you.

Steve Voskuil

Sure. You bet. I can take that one. As we kind of look through the flow of the quarters, we're going to see the first half is going to be—excuse me—Q1 will be the strongest from a top line standpoint. We're going to carry the momentum out of the fourth quarter, feel really good about our visibility in the first quarter on the top line. But margin and earnings are going to remain under pressure because we still are going to have higher cost inventory. We're still going to have tariffs in that inventory, so we'll see margin and earnings pressured in Q1.

As we go to Q2, the top line growth is going to moderate slightly, but you're going to see an inflection from a gross margin standpoint. We expect to see double-digit EPS growth for the balance of the year from there.

Of course, we know we got tougher comps in the second half, but we factored that in as we think about this flow. So think about momentum carrying through the first half on the top line, second quarter inflection from a profitability standpoint. And then we'd expect to see our brand investment up double digits across the quarters and this reflects some of those investments we talked about earlier.

Leah Jordan

That's very helpful. Thank you.

Steve Voskuil

You bet.

Operator

Thank you. Our next question comes from the line of Max Gumport with BNP Paribas. Please proceed with your question.

Max Gumport

Hey, thanks for the question. Clearly, elasticity so far been encouraging. And I'm not expressing my own view here, but one that you hear from some investors. I think there's a narrative out there that once you get through this pricing cycle you'll be unable to grow your chocolate volumes for several years. It's similar to what we're seeing in other packaged food categories currently. I realize we're a long way away from that point in time, but I'm just curious what pushback you'd offer to that narrative and if there's any historical presence you're focused on?

Kirk Tanner

Yes. Let me break it down. Look, we like where we're at with really the big categories across our confection business and our Salty business. The Confectionary category has been very resilient over time and it remains resilient. It is an emotional category that consumers look for. And if you think about where the growth is right now in retail, it really is around functional and emotional brands. So that gives you confidence to see that continue to grow. If you just look historically, it's been a very resilient category. So, a really good category.

On the Salty side of the business, I think it's really important to be in the right places in the category. Permissible, better-for-you, portion control, those are areas that continue to leverage growth. Consumers are willing to pay for that. That's where the growth is, and that's where our brands are positioned in the category. Give you a couple of examples.

SkinnyPop is doing exceptionally well. It's a real relevant—popcorn is very relevant with consumers today and will be long term as we see those consumer trends and what they're looking for.

Dot's Pretzels really shows how you can reinvent a category and drive growth. Dot's is now the #1 pretzel in the category. And it is about tying into the relevance of what consumers are looking for.

Of course, you're going to hear more about kind of the long term at—and I'm really plugging this Investor Day, so I hope you're all coming. We'll walk through kind of the long-term plan and how we see the categories and how we see the sustainability of that over the long-term horizon.

Steve Voskuil

I think we'll have an opportunity there, too, to talk about how we can play offense on some of the categories that are going to see more growth. So we know Sweets, better-for-you, premium, some of the functional

products that we're going to talk about, I think we're going to have a really good story about how they can lean into the volume story as well.

Max Gumport

Great. Thank you. Then in Europe, where I realize you don't have much of a chocolate presence, but it's a market where it's an interesting corollary because in Europe we saw chocolate pricing get taken earlier in a sizable way and initially elasticities were quite encouraging, as you're seeing in the U.S. currently for your own chocolate business. But in the middle of '25, we started to see price U.S. (inaudible) ramp up meaningfully in Europe ahead of where the industry expected them to be. I'm sure you're studying consumer behavior over there even if you don't have much of a presence. I'm curious what are your learnings that you've taken and if there's any factors you're seeing that make the consumer in Europe and how they approach chocolate different from the U.S. consumer? Thanks very much.

Kirk Tanner

Yes. Thanks for that question. Yes, and we are definitely studying that.

Look, we've taken a very patient approach as we've—the impact of cocoa and the pricing, so we've taken a very patient approach through the lens of the consumer. The categories, though, in the U.S. look very different than Europe. There's more brand differentiation. If you look at the brands across the portfolio, there's a lot—a high level of differentiation. There's a variety across the portfolio. And the top players have higher market share. Europe has a concentration of chocolate tablet bars and private label. But there is a very distinguished difference between the brands in the U.S. and the role each of those brands play in the Confection category, so there is a big difference.

The category skews premium in Europe, and it skews mainstream in the U.S. Relative affordability is still a key component of the category. Again, we mentioned that 75% of our portfolio is under \$4, very accessible to consumers.

Operator

Thank you. Our next question comes from the line of Jim Salera with Stephens Inc. Please proceed with your question.

Jim Salera

Hi Kirk, hi Steve. Good morning. Thanks for taking our question.

Kirk Tanner

Good morning.

Jim Salera

I wanted to ask a little bit around SNAP. As we roll into '26, there's some incremental rule changes, I think, both on work requirements and some states restricting what you can buy with SNAP dollars. Just walk us through, I guess, first, the overall percentage of your portfolio that is exposed to SNAP dollars and maybe how you're thinking about those changes in 2026, since they're all relatively new to the program.

Kirk Tanner

Yes. Thanks, Jim. SNAP, let me just give you what we know on SNAP and this is how we're seeing it.

Look, our early assessment in the states where waivers are in place is still pretty noisy. It's been just since January and we're looking at winter storm implications and, really, the difference across retailers as they implement it. We've been proactively spending time with customers and consumers in these states to get ahead of the choices they're making and we are readying our strategies to deliver for them. We have factored the SNAP waiver adoption into our outlook, and we'll continue to monitor that and provide updates over the course of the year.

To date, only two states have implemented SNAP waivers for candy of the 12 states that have waivers approved. So, in total, throughout the course of the year, there will be 12 states that are impacted, 2 states so far. We'll gather those insights. Again, it's pretty early days, but I would tell you it's a manageable headwind and it's contemplated in our outlook.

Jim Salera

Great. Then shifting gears a little bit, you called out the 10 different cultural and seasonal events this year to boost engagement. Are you able to quantify how much of an incremental uplift we should see from kind of that more filled calendar relative to what like a normalized year would be?

Kirk Tanner

Yes, I think if you kind of look at our outlook, it's reflected in that outlook. It continues to make our top line robust.

Some of the kind of the background on this is we have excellence in executing seasons, so we gained share across the seasons last year. What makes it so great is we have the consumer-loved brands coupled with great execution in the marketplace with our retail sales team. This gave us insight of we have the opportunity to be a part of more cultural moments, and the Olympics starting this weekend is really the first of those. But we'll show up for NCAA Final 4. Then we'll show up in the summer celebrating 250-year anniversary of our country. Our brands are expected by consumers to show up in these big cultural moments and connecting our brands to these cultural moments gives us the license to have more activity throughout the year in these cultural moments in addition to seasons. And it has this almost always-on approach where you can see our brands, our Salty and our Sweet brands together in the marketplace celebrating these moments. It's kind of—that's the background of that.

Jim Salera

Great. I appreciate the color. I'll hop back in the queue.

Operator

Thank you. Our next question comes from the line of Tom Palmer with JPMorgan. Please proceed with your question.

Tom Palmer

Good morning. Thanks for the questions.

Kirk Tanner

Hey, Tom.

Tom Palmer

You discussed plans for double-digit A&C increases, and unless I missed it, your answer to Andrew suggests that your pricing plans, some of which have not rolled out, still hold. I did want to ask on

promotions. How do you consider the possibility of stepped up promotions later this year, and maybe balancing the optionality of promotions versus allocating towards marketing dollars?

Kirk Tanner

Yes. Let me answer the advertising and the investment we're making there.

We've got great programming around building our big brands like we talked about, Hershey and Reese's. Plus we have these programs, these cultural tent-pole moments that we will support throughout the course of the year. It is a balance of delivering pull and push. So if you think about that demand creation, we're very cognizant and we have great return on these investments to deliver that, and that delivers the top line.

Then from an execution standpoint, I would tell you that the category remains very rational from a pricing standpoint. We'll continue to leverage promotion to drive excitement with consumers and deliver that right price point for them and it will be in concert with the execution across our seasons in these tent-pole moments throughout the year. But I would expect overall a very rational category.

Steve Voskuil

Yes. And I would just say on the first part of your question, just to be clear, all the pricing has been sold in, so that's not a risk. There's nothing else pricing-wise that's going to drop.

Tom Palmer

Thanks for that. In the prepared remarks there was a comment about expected low single-digit sales growth for International. I wondered if maybe you could provide some color on expectations in the other two segments? And then also, there was a comment about profit recovery for International. I wonder to what extent that might reflect incremental pricing actions because they were relatively modest as we look at 2025? Thank you.

Steve Voskuil

Sure. I can take maybe the segment piece first, just to share a couple of headlines. So, organic sales growth on the Confection segment, around 3%. Salty snacks, mid-single digits, International down low single digits. That's the organic top line.

From an EBIT standpoint, we've got all double-digit across the segments year-over-year, so that's some of the highlights on the segments.

On International, we've taken a lot of price this year, and that's part of what we're seeing in terms of some of the volume impact from that. We play in the premium part of the market. We've got cocoa intensive products and so we've been, in some cases, stronger on pricing in order to make sure we're setting up a good, strong future P&L.

We've been very thoughtful about trying to focus on the markets where we believe we have the best case to win and making some choices on go-to-market to that, again, are thinking about the future and the profitability.

Despite the challenges, we've had some wins in the International market. We'll talk about some of those and how we're expanding on those when we get to March. But we do have a mix of sort of recovering for cocoa, pricing, and then also optimizing the portfolio itself to make sure that as we look to the future we're investing behind our big brand like Reese and also our core markets with a streamlined route to market.

Kirk Tanner

Yes. Let me add on a couple of things on International.

I'm really bullish on the opportunity that we have internationally. I look at our track record right now just from how we're performing in the markets, our key markets, and we're gaining share. Gaining share across Canada, Mexico, Brazil, the U.K. I think those are really important proof points that we have the opportunity to do that.

We're going to bring a focused strategy on our International business in March that really articulates how we're going to make investments and why we have a right to win in these markets. But more to come.

Tom Palmer

Thank you.

Operator

Thank you. Our next question comes from the line of Michael Lavery with Piper Sandler. Please proceed with your question.

Michael Lavery

Thank you. Good morning.

Kirk Tanner

Good morning.

Michael Lavery

I want to come back to guidance. I know you laid out some of the flexibility or ways that you're trying to allow for risks and capture those. But curious—not to get too greedy—if there's expectations where you can point to potential upside? And maybe also specifically how to think about buybacks? I know you said there weren't any in the last quarter, but you mentioned the authorization that remains. Are any of those included in the outlook for 2026?

Steve Voskuil

Sure. I'll comment along on buybacks.

On the upside, we touched on some of these already. I mean, if elasticities were to hold in the sort of space they're in now, that would be a potential upside. Even the macros, although our outlook is to expect the macros like SNAP and GLP-1s have a growing impact across the quarters, which I think is reasonable. If that is slower or less impact, I think that's upside to what we've tried to prudently build into the outlook. Things like the performance on innovation, media, all these in-store activations and tent-poles that we talked about. Again, our goal is to execute all those to try to beat the plan but those would be potential upsides.

And then as always, we want to exceed our productivity and cost savings goals, so we've got what I think are good challenging objectives there to go get, but our supply chain teams are fantastic, and they're going to go hard against trying to beat those.

I think those are all the kind of things we would point to.

When I look at it in total, I feel like as we look at the guide, it's balanced. We're trying to recognize there are upsides and opportunities to beat in some areas, but also there are still some unknowns that we want to make sure we can contend with and that's where the agility piece comes in.

On buybacks, I'll just maybe just say our capital allocation strategy is kind of resetting back to normal a little bit without some of the pressure, cash pressure in particular on tariffs and cocoa. As you can tell from the guide, our focus and job one is to make sure we're funding the business and driving good, smart long-term investment in the organic business; maintaining a posture of agility relative to inorganic growth opportunities. We're integrating LesserEvil; that's going very well. We're going to continue to look for those sort of opportunistic places.

You see CapEx kind of normalizing again back into the space where it should be. You see us focused on working capital efficiency like we are every year driving savings; dividend returning to growth, which is very important to us and pleased to see that. And we feel good about leverage and where we're at in the trajectory on leverage.

So all that kind of comes then down to the repurchase and as we've said in the past, share repurchase is a great way to put tension in the capital allocation equation, right? We're not going to warehouse the shareholders' money. If we can't wisely invest it for the future, we're going to give it back. And so that conversation is now back on the table because we're going to have strong cash flow. We've got great investments supporting the business and as the year progresses and we get a little bit more perspective on some of these macros and everything else, we'll reintroduce that conversation.

Michael Lavery

That's great color. Thanks. It sounds like you might be having an Investor Day soon and I'm sure you'll get into this in obviously much more detail, but as you lay out some of the investment opportunities and the reinvestments you're making this year, just at a high level maybe can you give us a sense of how much we should expect a near-term impact versus longer term and how that kind of fits into your thinking.

Steve Voskuil

Yes, I'm going to punt the details of that to the Investor Day. What I would say is all of these investments have something to do for us now and are going to have things to do for us for the future. You can imagine investments in R&D. The near term on R&D investment may not be as big as we're going to see in '27 and '28, but even so we'll get some early insights from that. And so we'll unpack that more, but think of these as multiyear investments but they do have benefits even as we get to especially the back end of this year.

Kirk Tanner

Yes. Let me just add, these investments are all about driving growth. Top line growth, sustainable growth, modernizing our portfolio, those are fundamentally what's backing this growth, is to fuel and keep heat on our brands with consumers, launch innovations that are relevant, and do the R&D so that we can continue to modernize our portfolio for the future and staying relevant is so important. It really is about fueling growth.

Michael Lavery

Okay, great. Thanks so much.

Operator

Thank you. Our next question comes from the line of Alexia Howard with Bernstein. Please proceed with your question.

Alexia Howard

Good morning everyone.

Kirk Tanner

Good morning.

Steve Voskuil

Good morning.

Alexia Howard

Can I start with the price elasticity in international markets versus the U.S.? Do you have views on why the trends seem to be worse in the international markets, and why they're better over here at the moment?

Kirk Tanner

Yes. Let me take that question. We discussed a little bit, there's a big difference between the two categories, for starters. The category in the U.S. is highly unique. The category is very differentiated across the portfolio. There's a lot of runway by brand across the landscape in the our big confection category in the U.S. versus a high chocolate tablet bar market in Europe, along with the impact of private label.

So, you think about affordability also is a real big lever. The category is affordable. It skews mainstream. Our portfolio is still mostly under \$4. That I think is a really big difference. But the resiliency has been really positive for the category here in the U.S. and what we've seen so far, we're encouraged by.

Steve Voskuil

I would say, specific to our portfolio in International and EMEA elasticities, keeping in mind, we are premium market positioning, so we see some more elasticity there. We're relatively limited in scale in some regions and not a market leader, so those are factors with our portfolio in particular that drive higher elasticity.

Alexia Howard

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

Operator

Thank you. Our next question comes from the line of Matt Smith with Stifel. Please proceed with your question.

Matthew Smith

Hi. Good morning. Steve, you called out an increase in both marketing and operating costs through the year. It sounds like marketing up double digits is fairly evenly phased, but is there anything unique you'd call out on the operating costs? With operating costs growing in line with sales, is this a level of investment that as you exit 2026 allows some future leverage from SG&A?

Steve Voskuil

Sure. So I think across the quarters, I would guide to say it's probably going to be pretty even. There are going to be some—and again, I'll go back to things like R&D that we'll probably build a little bit more in the back half and we'll unpack that more when we get to Investor Day, too. But I think overall, it should be up across the quarters.

With respect to leverage in '27 and beyond, again, I'll go back and say while we're investing—and some of these investments our multiyear investments to set up a future of growth—we are also aware of the margin recovery story that we need to continue in 2027.

So we have always two things going on at once. We're looking to make smart long-term investments in the business, but at the same time, we want to fuel that investment with productivity and savings. So we kind of say, “Hey, we're investing for demand creation but we want to drive demand fulfillment efficiency as well,” and we're very good at that. So we're going to continue to drive supply chain efficiencies. We're going to drive efficiencies between the lines, like we've done with the transformation work, and continue to drive there, too.

So our goal is over time we are going to see leverage across all of those lines.

Matthew Smith

Thank you. I look forward to seeing you in March, and I'll pass it on.

Steve Voskuil

Thank you.

Operator

Thank you. Our next question comes from the line of Robert Moskow with TD Cowen. Please proceed with your question.

Robert Moskow

Hi. I had a question about just trying to understand how you forecast all of these macro factors at once. You have the SNAP cuts from a federal level, you have the waivers at the state level, you have the GLPs and then you have elasticity from higher pricing. I think you've done a really good job of keeping things pretty conservative on the elasticity assumption. But the models that your team is working on, Steve, can you figure out the cumulative impact of all these things at once? It sounds just like a lot to put into models that probably don't have a lot of historical precedence for that.

Steve Voskuil

Yes. I mean, it's a challenge for sure. In each one—and we said this before. We've got a small team on each of these, really trying to dig deep. And in the case—as Kirk said, in the case of SNAP, we have people on the ground working with retailers to understand exactly how this is working out on-shelf, what retailers are doing, what we're doing. And so we're trying to get firsthand information to build into these models.

At the same time, we do try to run scenarios and they come up with a risk balanced view across these macros to try to come up with an assumption for the outlook.

I know we'll be wrong. We've tried to be prudent and balanced in the way we look for, and project these out, but taking the best information that we have. We get smarter. Every month that goes by, we'll have more data. And I expect as some of these programs—or excuse me, some of these things like SNAP, more states get involved, GLP-1s adoption gets easier, we're trying to predict different ways it could play out, and then again, how our portfolio can play offense against some of those challenges.

Robert Moskow

Okay. That was kind of my follow-up. You said that you're working with retailers in a couple of states where the waivers are happening. Can you be more specific on what playing offense means? Like what kind of things can you do?

Steve Voskuil

Sure. You want me to take that one?

Kirk Tanner

Yes, I can jump in. I like playing offense, so this is (inaudible) exactly.

A lot of it has to do with, yes, when you work with customers, affordable price—affordability still remains a really important part and driving other channels, too. We have a big convenience business, driving our immediate consumption business, driving availability of those top SKUs are critically important.

But I just go back to how do we drive the insights around the affordable price points, unique packages. Those are solutions with our customers. Again, 2 states out of the 12 states have been implemented; it's early days. We'll continue to discuss this as we get greater insights, and we'll talk about the tools that we're leveraging to curtail this headwind.

Robert Moskow

Very good. Thank you.

Operator

Thank you. Our next question comes from the line of Scott Marks with Jefferies. Please proceed with your question.

Scott Marks

Hey, good morning. Thanks so much for taking my questions.

Kirk Tanner

Good morning.

Scott Marks

Two questions from me. The first one is on cocoa. I think previously you had said that you were hedged for '26 above the rates you had locked in for '25, but that you also had some flexible hedging structures. So given the comments today around stable commodity basket, should we assume that means that your cocoa cost in '26 is actually in line with that of '25? Thanks.

Steve Voskuil

Cocoa is up just a little versus 2025 and what we said before is it's hedged above current market levels, so it's not hedged materially above '25, just hedged above where cocoa is trading right now.

Just like we did last year, we've got a variety of hedging structures, and some of those structures allow us to participate in downside. So even in '26, we have a little opportunity. It's not like it was last year to participate in down side, but there's still a little bit there that if cocoa continues to decline we'll have some potential.

And then, of course, as we look to '27, placing hedges today would mean that we'd have deflation between '27 and '26, so we're watching that space. And again, we've got a very structured hedging policy to take advantage of that.

Scott Marks

Understood. Thanks for that.

Then second question: today, there's obviously a lot of discussion around focusing with innovation and media behind some of the largest brands and I think over the past maybe year, year and a half, there was maybe a little more emphasis on supporting some of the smaller brands within the chocolate portfolio as well. Wondering if you can just kind of share how you're thinking about some of those tail brands and how we should be thinking about investment in those going forward? Thanks.

Kirk Tanner

Yes. This is really about world-class portfolio management. We announced obviously Hershey's and Reese's big investment across those. That gives us a lot of momentum in the business and that drives a lot of growth.

We do have a beautiful portfolio across our Confection and Salty brands and there are other tools that we're leveraging to grow those brands.

We are paying attention to the entire portfolio, and we're clear about each brand and the role it plays in our portfolio so that we can get to the consumers in a more targeted way.

It is a balance of both. It's not a trade-off between our large brands and our smaller brands that have lots of potential. We're investing across our portfolio. But it's very deliberate about the opportunity of each brand and the role it plays in our portfolio.

Steve Voskuil

Yes. We'd like some of those small brands to become the next billion-dollar brands. And leveraging—we're going to continue to leverage nonworking media to support new brands and occasions as well.

Scott Marks

Thanks very much. We'll pass it on.

Operator

Thank you. Our next question comes from the line of Chris Carey with Wells Fargo Securities. Please proceed with your question.

Chris Carey

Hi. Good morning everyone. I just wanted to ask one follow-up on cocoa. Just as you think about 2027, how aggressive can you be about hedging the current drop? And if I heard it correctly, did I hear that you don't need to take pricing in 2027? That's how you're viewing current levels right now. And then I have a follow-up. Thanks.

Steve Voskuil

There's a couple of things in there. We're not going to get specific about 2027 hedging, but we will be very thoughtful. We have a program that gives us some structure in how we attack that. But that's probably all we're going to share relative to that.

Relative to pricing, I think where cocoa is trading today, looking ahead to '27, it probably takes some pressure off pricing in the near term. We've taken price. We're going to execute and activate against that.

In a broader sense, pricing is part of a long-term strategy, but it's only one part. We have mix and innovation and other ways to drive value, price pack architecture. And so in the long term, we look at all of those things through the mix. It's just we happen to be in a case more recently because of cocoa to have to rely more on price.

Chris Carey

Okay. Great. Then one quick follow-up would just be, when you think about volume, obviously margins are recovering nicely. Do you have a view on where you want volumes to be as we look out over the next 18 months? And when you think volumes, can it get back to kind of flattish to positive? Thanks.

Steve Voskuil

Yes. I think Kirk kind of touched on this earlier. As we get—we're going to be digesting the price increase in 2026, activating against it. As we get further out and we look to 2027 and beyond, our goal is to get back to a more balanced mix of price and volume. We know we've got parts in the portfolio that even with some of the macro headwinds are set up for volume growth, Sweets, Better for You, Premium, the functional products. That's not to say we can't get volume at the core, just to say that even as you look at the macros, there are places where our portfolio can play stronger from a volume standpoint.

So, again, this is something we'll also unpack more when we're together in March as we look out past '26. But recovering, we've got equipment ready to go to make more candy and so we're anxious to be able to deploy it against volume.

Kirk Tanner

Yes. Let me just add just a couple of things. Yes, volume unit growth, occasion growth is really important to us and we'll build on that. We've got plans, of course, in '27 and '28 that we'll share. But it really is coming down to delivering that consumer occasion and driving growth in that, and we'll do that in a variety of ways, but that is a really important lever for us.

Operator

Thank you. Our next question comes from the line of John Baumgartner with Mizuho Securities. Please proceed with your question.

John Baumgartner

Good morning. Thanks for the question.

Kirk Tanner

Good morning, John.

John Baumgartner

Good morning. There was a comment this morning about investing in your protein portfolio. It's been six years since the acquisition of ONE Bar, so I imagine Hershey has gained some decent understanding of

the category by now. How do you think about participating in protein as a theme? I mean to what extent do you view protein as sort of the hedge to retain consumers gravitating to healthier snacks? I guess especially since we've seen numerous cases already of snacking flavors applied successfully in the protein space.

Kirk Tanner

Yes. I think that's really a good question, really relevant for what we're talking about.

Investing in our protein business, we have a really strong outlook for our protein business this year. We've invested in a lot of R&D around protein and fiber and things that our consumers are looking for.

I look at the total snacking universe and functional snacking is a reality, and we have to participate in that space. And we are. And we really like what we're building with ONE AND Fulfil, and we'll continue to add resources against that and see the growth coming through.

Yes, that is an area that we'll focus and build on for the future.

John Baumgartner

Then maybe to follow up on that, Kirk, just considering how Hershey built the Salty Snacks portfolio through M&A, I guess what's the feasibility or interest level to use balance sheet to expand similarly in protein? Does your interest level rise to build the portfolio of brands and subcategories? Or should we just think about future protein efforts really just anchored more to the ONE Bar brand?

Kirk Tanner

Yes, it's a big white space, and there's so much traction from consumers. I think you have to really be open to two. I mean both, right? Growing organically, we see lots of potential for the brands that we have. But we're also open for those opportunities that build our portfolio. So I would say we're open for that approach.

But the first thing, the things that we can control right now are: let's grow these businesses, let's innovate in these spaces, let's get thriving brands, and then we'll be open for opportunities in the future.

John Baumgartner

Thank you.

Operator

Thank you. Our next question comes from the line of Bingqing Zhu with Rothschild & Company Redburn. Please proceed with your question.

Bingqing Zhu

My first one is trying to follow up on the volume question. Because your 2026 guidance, 2.5%, 3.5% organic sales and 10% pricing, that embedded quite a meaningful volume mix decline. I appreciate it's still early in the year and the elasticity is favorable so far, but how much volume decline are you confident about absorbing before you would it reconsider pricing, and maybe lean more towards promotion and price adjustment to support the volume? Then I have a follow-up, please. Thank you.

Steve Voskuil

Sure. The volume impact of the pricing that we have taken is embedded in the guide, and so we accept that; we that we don't like it. We want—as we said several times, we want more volume growth. When we're

together in March, we're going to talk more about that. But the volume impact of elasticity that we have inside the plan has been factored in.

In our plan between marketing dollars, promotion dollars, investments, we believe we have the agility inside the plant to be able to deploy to protect sensitive areas and respond if we see a concern.

As we sit here today, as Kirk said, the market has been rational. The competitive environment is stable, so we don't have any particular pockets of concern. Elasticities are as expected. And so it's not a little better. But we are ready inside the plan to respond if we need to.

Bingqing Zhu

Okay. Thank you. Then I have a follow-up on pricing. In the prepared remarks, you mentioned pricing to be 10% in 2026. If I recall correctly—I think a few quarters back in Q2, when you announced the price increase you expect to be mid-teens in '26, so that's a bit lower than what you previously guided. Can you provide more color on that, please? Does that mean you maybe wrote back some pricing you originally planned? What does that mean? Thank you.

Steve Voskuil

Yes. We haven't rolled back any pricing. It maybe just a misunderstanding of if we're talking by segment or we're talking overall company pricing increase, that might be where the misunderstanding is.

We've realized that the pricing that we had announced earlier in 2025—as we said earlier, the more recently announced pricing is already in the market. So from a pricing standpoint, everything is on track, nothing has been rolled back and we're all in execution mode.

Bingqing Zhu

Thank you.

Operator

Thank you. Ladies and gentlemen, that concludes our question-and-answer session. I'll turn the floor back to management for any final comments.

Anoori Naughton

Thank you all for your questions and we look forward to catching up with you over the coming days and weeks.

Kirk Tanner

Yes. Thank you very much.

Operator

Thank you. This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.