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The Hershey Company

Fourth Quarter 2024 Earnings Conference Call
Q&A Session

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Ken Goldman*, JPMorgan*

Max Gumport, *BNP Paribas*

Robert Moskow, *TD Cowen*

Alexia Howard, *Bernstein Alliance*

Peter Galbo, *Bank of America*

Tom Palmer, *Citi*

Jim Salera, *Stephens Inc.*

Leah Jordan, *Goldman Sachs*

Michael Lavery, *Piper Sandler*

Chris Carey, *Wells Fargo Securities*

Rob Dickerson, *Jefferies*

John Baumgartner, *Mizuho Securities*

David Palmer, *Evercore ISI*

PRESENTATION

Operator

Greetings, and welcome to The Hershey Company's Fourth Quarter 2024 Earnings Question-and-Answer Session. 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, Senior Director of Investor Relations for The Hershey Company. Thank you, Ms Naughton. You may begin.

Anoori Naughton

Good morning everyone. Thank you for joining us today for The Hershey Company's Fourth Quarter 2024 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. The presentation of 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 Chairman and CEO, Michele Buck, and Hershey's Senior Vice President and CFO, Steve Voskuil.

With that, I will turn it over to the operator for the first question.

Operator

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

Andrew Lazar

Thanks so much. Good morning everybody.

Michele, I know it's clearly way too early to get overly prescriptive at this stage on '26, but in the prepared remarks you do mention positioning the company for balanced top and bottom line growth in '26. I was really hoping you could just provide maybe just some context around this, such as is growth doable in '26 if cocoa remains at currently elevated levels? If so, how do you feel about the ability to take more pricing in '26 to get there, even though we don't yet have a good sense for how the incremental pricing will be received by consumers for this year.

I'm really just trying to put some broader parameters around this and sort of what's embedded in your comment about the potential for balanced growth in '26.

Michele Buck

Yes. Got it. Steve, do you want to just take a crack at that one?

Steve Voskuil

Yes, I'd be happy to. As implied, when we say balanced growth we want to eventually get EPS back on algorithm. And so as we look to '26, one of the benefits of the great hedging and commodity team is we're not paying the market price, so you always have the catch-up factor relative to commodity. But that said, just like for 2025, when we look at '26 we expect to use the full suite of levers we have to manage cocoa price, and that includes looking at pricing, that includes additional productivity and CI savings, that includes continuing to drive efficiency and SG&A and even driving more return for the same dollars in some case, on marketing spend. So all of those things will be in the consideration set as we take a look at what we can do in 2026.

Wouldn't pricing to be easy. That probably would be a conversation we'd have to have and think about internally on the impact. But still, 80% of our portfolio is less than $4 on the confection side and so that would have to be one of the things we take a look at.

Andrew Lazar

Thanks for that. Then maybe can you talk about what sort of elasticity you're seeing currently as some price has already sort of made its way into the market in 4Q? I ask just because our understanding is that Hershey has taken sort of a different approach to pricing this year where the company is maybe not fully aligned pricing across the portfolio. I wonder if part of not taking prices up in instant consumables is sort of a reflection of elasticity concerns, or there's some other strategic intent there? Thanks so much.

Michele Buck

Sure. It's a little bit early for us to have the full visibility to those results. What I'd say is what we're seeing is elasticity is coming in either on par with our expectations and in some cases slightly better. So we are carefully watching that, obviously.

We have a lot of confidence in our ability to price and we strategically selected where we thought it was best to do that. We certainly always take into account an expectation of where we think cocoa will be and, as we think is going to normalize, how we factor that into the pricing decisions so that we are really balancing how aggressive we go. We will continue to monitor that, but feel good about what we're seeing to date.

Andrew Lazar

Thanks so much.

Operator

Thank you. Our next question is from Ken Goldman with JPMorgan. Please proceed with your question.

Ken Goldman

Hi. Thank you. In your prepared remarks, you said you're prepared to adjust pricing, (inaudible) architecture, etc. if your view on commodity markets evolve. I just wanted to get a little bit more color on what that necessarily means. Is that dependent on how you view underlying supply and demand? Or is it really more dependent on hey, just looking at the futures market and saying, "Okay, the prices are what they are right or wrong?" Just trying to get a sense of your timeline and how you think about when you might want to make that decision to adjust pricing or make other decisions around formulations and so forth.

Michele Buck

Ken, we take both of those things into account. Let me start by talking a little bit about our view on the market, and then I'm going to turn it over to Steve to talk a little bit about how we balance those factors.

We continue to feel good about what we're seeing in the market fundamentals. We're continuing to see production increase with nearly half of the production today coming from areas outside of Ivory Coast and Ghana. We think that's really healthy for the global cocoa supply over time. It's going to be much more diversified and that diversification is going to provide an inherent resilience just balancing weather factors and geopolitical factors, etc. We're continuing to take actions in West Africa to continue to help drive resiliency. And as we diversify our impact, it's looking different by market.

We've made investments in West Africa; we will continue to do that. We've also diversified our supply sources. So we're watching those fundamentals and certainly, that is one factor for us. At the same time, we know that fundamentals and the market price aren't exactly aligned, and we certainly take that into account as well.

Steve, do you want to talk a little bit more about that?

Steve Voskuil

Yes. I would just say at the same time that we're still see pricing in cocoa as transient right now. We're dealing with the reality on the ground, which is to say we're building plans for '26. We'll be watching the cocoa market in what's happening in reality a lot through the first half of the year, but not waiting even for that before setting plans and, again, kind of touching all parts of the P&L in the event we don't see that retrenchment so that we're ready to go for 2026 and, as I said earlier, get back to on-algorithm opportunity on EPS.

Michele Buck

The other thing we do watch is not only what's the price on the exchange, but what's actually happening to those prices in origin and there is some differential there. So we take that into account as well.

Ken Goldman

Understood. No, that's helpful. Then just a quick follow-up. I think you had answered Andrew's question about what you're seeing for elasticities today. It's great to hear that they're on par or maybe in some cases, slightly better. Just curious, what is baked into your guidance? And if you said this, I missed it, but how are you thinking about elasticity as more pricing unfolds throughout this year?

Michele Buck

We've baked into our guidance historic elasticities at that minus 1 level. We'll watch those because we do think that depending on factors there could be upside, but we think that is the prudent approach for us right now.

Ken Goldman

Thank you.

Operator

Thank you. Our next question is from Max Gumport with BNP. Please proceed with your question.

Max Gumport

Thanks very much. I have a follow-up question on the elasticities and the minus 1 assumption. To me, it feels like this is the key unknown for '25, right? You've got cocoa costs largely locked in, pricing implemented, visibility to cost savings pretty clear. And so could you just give a bit more color on what's informing the minus 1 and if that applies to your smaller international segment, too, particularly in context of a competitor talking about an elasticity level in '25 that would be much more favorable. Thanks very much.

Michele Buck

We do see upside if elasticities come in better. We again think that it is a prudent stance to take as we work through the volatile consumer marketplace and some of the pressures that we know exist for consumers. We have also considered greater elasticities in international in the outlook. We are not the market leader in many of those markets, so not always leading those price increases. We take a different stance relative to our approach there. I mean, it's a smaller piece of our business, obviously, so it doesn't have nearly as big of an impact, but we do look at it differently.

Max Gumport

Great. Thanks very much. Then staying on international, I realize it is a smaller segment, but you had a very strong 4Q with broad-based strength across your markets. The commentary of low single-digit growth with tightened competitive activity in '25 stood out to me. Can you talk a bit more about what the competitive activity is you're seeing in those markets, where it is more pronounced and how you expect to manage through it?

Steve Voskuil

Sure. Yes, the fourth quarter was strong. They were helped a little bit by a favorable lap and we also have some big Black Friday performance in a couple of markets where that was a big holiday. So, strong performance there.

When you look at the totality of last year, the business was up about a point, so more on balance, the '25 outlook doesn't look as different.

We saw, I would say the highest competitive activity in Brazil and Mexico. Brazil in particular was very intense, a lot of promotion. We have a lot of innovation in market in those markets and that helped, certainly, in the fourth quarter. But again, as we look kind of at the totality of 2025, we expect to see that competition increase and that's really what's informing the growth there.

Max Gumport

Thanks very much. I'll pass it on.

Operator

Thank you. Our next question is from Robert Moskow with TD Cowen. Please proceed with your question.

Robert Moskow

Hi. Thanks for the question. Steve, I think I'll just ask about phasing. Do you expect your gross margin pressure to be pretty even throughout the quarters? Or in fourth quarter, are you fully covered for fourth quarter or will there be like another hit in fourth quarter when hedges roll over?

Steve Voskuil

Sure. For the full year, we're nearly completely covered on cocoa and so we don't expect a big hit, at least a kind of a new hit from the outlook in the fourth quarter. If you look at the split of gross margin, we're going to have less gross margin pressure in the first half where cocoa will be based on our hedging less probably in the neighborhood of under 500 basis points. As we get to the back half, we'll see more impact; those hedge positions are going to be higher priced based on the flow of cocoa. Definitely more in the back half than the first half.

Robert Moskow

Okay. Just a quick follow-up for Michele. Michele, are you seeing your competitors take similar actions on pricing? You've been very strategic about where you're going to take it. It doesn't sound like you're taking it in consumables yet. Have you seen similar actions or are there some discrepancies out there?

Michele Buck

I guess I'd say, overall I think the category is very rational, and we have seen most major players taking pricing, including private label, which has also taken pretty aggressive pricing as well. I'd say that pricing has probably been a bit more broad-based, though people tend to cycle through parts of their portfolio as they see appropriate and price 60% at one time and then go to the next piece. We know that we've tried to be just considerate of pressure in certain channels, but nothing is off the table for us. We are continuously evaluating the entire portfolio.

Robert Moskow

Okay, got it. Thank you.

Operator

Thank you. Our next question is from Alexia Howard with Bernstein. Please proceed with your question.

Alexia Howard

Good morning everyone.

Michele Buck

Good morning.

Steve Voskuil

Good morning.

Alexia Howard

First of all, can I just ask, on the sales outlook for 2025, it's obviously fairly muted compared to the strong performance this time around. Is that mainly due to the conservative price elasticity assumption, or are there other puts and takes in there?

Michele Buck

It's actually a couple of things. International was a bit more pressured than we would normally see in our growth algorithm, so that certainly played a role. We're certainly taking into account the volatility in the marketplace. We do anticipate that our consumption will be a bit stronger than shipments due primarily to retailer inventory in North America confection, and so that's playing a role as well, in addition to one fewer shipping day. And we do have some commercial activations that are really coming into play closer to the back half of the year, but those are the key components.

Alexia Howard

Follow-up. Can I come back to the topic—not on this call—to the topic of GLP-1s, which has come up in the past. Are you seeing any material impact at the moment? How are you measuring it? What's the strategy here as that plays out over time? Thank you, and I'll pass it on.

Michele Buck

Yes. We are seeing no material impact. We are continuously looking externally to get and evaluate data. We have triangulated both external and internal evidence, including some of the most recent studies like the recent Cornell enumerator studies as they tend to validate our internal views. We have multiple data sources that also support our view that users of the drugs do not eat disproportionately less of our categories.

We do know that there's a broader shift in consumer preference for healthier items. That has been underway for some time, items that have nutritional claims around low sugar and other things, and we will continue to evolve our portfolio as we continue to track what's important to consumers.

Steve Voskuil

Next question.

Michele Buck

Hello?

Steve Voskuil

Operator?

Operator

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

Peter Galbo

Hey, good morning Michele and Steve. Thanks for the questions.

Steve, maybe just a follow-up on phasing on top line. I know you gave color on 1Q and 2Q in the prepared remarks, but I think there was a comment you just actually just made to Alexia's question around the back half of the year; 4Q maybe has one less day. Just want to make sure we have all the moving parts on top line as we think about bridging to the 2% given there's some wonkiness in the comps.

Steve Voskuil

Sure. One quarter, the first quarter has two fewer shipping days, fourth quarter has one, and so they have one extra. Net-net, you're one day short for the full year. Again, pretty minor between those two, between first half and second half, but overall in the second half we'd expect low single-digit growth.

Peter Galbo

Got it. Helpful. And then, Michele, maybe if I could switch gears. There's commentary about being able to participate in the downside if cocoa markets do fall given your risk caps. You spoke a little bit about I believe, off-exchange mechanisms you're seeing some of the competitors are doing. There's been some reporting about maybe your own activities that have been out of the norm. Just wanted to get a deeper understanding of kind of what you're seeing from that perspective. What instruments you're seeing yourselves and your competitors using it, and maybe if you can also comment just on your own activity that's maybe been outside the norm. Thanks very much.

Michele Buck

Right now, we are seeing very low commercial participation on the exchange. And yes, we have been looking at alternatives and options of how we approach our cocoa supply chain. Our focus is really—there has been an opportunity to get lower prices in origin versus on the exchange, and we're trying to be very opportunistic about how we approach this whole area and take advantage of the market dislocations in a place that we see that we can come in a bit differently.

Steve, anything you would add to that?

Steve Voskuil

No, I think we won't get more specific on the types of instruments, but market dislocation sometimes present opportunities and so we want to make sure we're looking everywhere we can for opportunities.

Peter Galbo

Thank you.

Operator

Thank you. Our next question is from Todd Palmer with Citi. Please proceed with your question.

Tom Palmer

Good morning and thanks for the question. Maybe just starting out, we could circle back to the elasticity assumption. I just want to make sure I have kind of the starting point right when you talk about minus 1. It would be, without pricing I guess, what level of growth roughly do you assume as a starting point and then the elasticity starts to trigger? I guess when we think about this coming year, is it different as a starting point than maybe you would have in your long-term algorithm or relatively normal?

Michele Buck

I would say it is it's largely similar to how we approach it. I mean we always say we look at the impact of pricing—and there is a volume conversion curve that you go on once you price—and then we build back up from there relative to the programming that we have to unlock growth and consumption on the brand. We do that on a pack by pack and a retailer by retailer, brand by brand, and that's really what helps to get us to what that number looks like. That's how we derive it.

The long Easter helps us this year as somewhat of a starting point but those programs that we have on tap allow us to get better than that minus 1.

Tom Palmer

Understood. Thanks for that. Then just in the prepared remarks, there was reference to a timing benefit in the fourth quarter related to inventory valuation. Any help quantifying this and what drove this and whether this has any impact on 2025 at all.

Steve Voskuil

Yes. The impact was about $40 million and it's really related to our new ERP system, which has a much finer allocation of costs between inventory in the P&L based on what we sell. It's sort of a better system.

With that system and that precision comes a little bit more variability, so as we go through the quarters we may see a little bit more of that movement than we had in the past, but it's not going to be material and I wouldn't—we're not setting our models differently based on that.

Tom Palmer

Okay. Thank you.

Steve Voskuil

Sure.

Operator

Thank you. Our next question is from Jim Salera with Stephens. Please proceed with your question.

Jim Salera

Yes, thanks for taking our question. Michele, in the prepared remarks, you called out acceleration on the Sweets portfolio and some successes with the Shaq-a-licious Gummies and Jolly Rancher. Just in thinking about the drivers of potential upside on the portfolio, can you maybe talk about innovation on the non-chocolate portion of the portfolio and how that will play into some of the advertising efforts you have rolling out this year?

Michele Buck

Yes, absolutely. As you know, in Q3, we launched in the marketplace a lot of new innovation, including Jolly Rancher innovation, heightened support, Shaq-a-licious Gummies, and then in Q4, we actually purchased Sour Strips. So all of the things on Sweets were new as of kind of mid to late Q3 into the balance of the year. So as you look at the year of '25, we're going to get a carryover benefit, a pretty strong carryover benefit from those items.

In addition to that, we recently launched JR freeze dried and that's hit the marketplace, so that is new news on innovation and Sweets for this year.

We have new news coming later this year that we haven't yet announced, and then we obviously have distribution and velocity opportunities on Sour Strips as well. So we have a continued nice lineup of continued news and opportunity on Sweets as we enter the year and go through the year.

Jim Salera

Great. Then when you have your conversations with retail partners on expanding the Sweets selection, is that often incremental space that you didn't have before, or is it kind of swapping pieces of the chocolate for Sweets? Especially in like the immediate consumption occasion, cash (inaudible) and in those areas.

Michele Buck

Yes. We underindexed in Sweets. We are underdeveloped, so for us it is an opportunity to be incremental distribution, incremental consumer occasions. We do look at that as helping us in that way. It also helps us with our Seasons portfolio where we're already quite strong, but being able to get some of these innovative Sweets components into Seasons is a new opportunity there as well.

Jim Salera

Great. Appreciate the color. I'll pass it on.

Operator

Thank you. Our next question is from Leah Jordan with Goldman Sachs. Please proceed with your question.

Leah Jordan

Good morning. Thank you for taking my question.

I wanted to ask about the market share declines in everyday chocolate that you noted in the prepared remarks. First, curious how that trended versus last quarter and throughout the quarter. Then as you think about potential drivers for improvement going forward, how much do you think is dependent on an improvement just in the cyclical impulse, in the C-store channel, versus the need to drive bigger innovation like you're planning because competition and newness has just been intensified from smaller players?

Michele Buck

Sure. I'd say the everyday is getting better. We have significant improvement with Sweets, and we've also seen significant improvement in take-home. Some of those improvements were driven by strength in the category, and certainly as we lap some of the retailer-specific pressures that we had the prior year and that we lapped through those and got back to a normalized position relative to distribution and merch, that was helpful.

Innovation is an important lever, and we are looking across each of our pack types to make sure that we've got that right innovation as there is increased competition for shelf space. Having the right innovation within each pack type is incredibly important, so we have dialed up some of the innovation levels and take home this year, and we think that, that will result in TDPs and growth.

Next year, to share outlook is driven by continued acceleration in Sweets, continued strength in Seasons and improvement in every day. We do have the biggest innovation that we have had ever on Reese coming to the marketplace. More news to come on that later this year. And we'll continue to work with our commercial partners to improve trends in the insta-consumable business. That's an area of the portfolio that is driven by some of these macro pressures and the consumer pressure, particularly in convenience store class trade. There's a little bit of downward category pressure there. We see more momentum and upside on the other areas, but we continue to focus on share there as well.

Leah Jordan

That's very helpful. Thank you. Maybe just following up on that C-store discussion, it sounded like last quarter you were going to invest more in variety brands and lean into your gold standard planogram. It sounded like the channel is still soft, but are you starting to see any improvement as you kind of implement those plans?

Michele Buck

We have seen improvement. On our variety portfolio, we saw improvements by about 3 points in our trends from Q3 to Q4. They are still pressured, but we are seeing some significant improvement, and we are in the process of ramping up that gold standard so that takes some time to implement. So you sell it in. It does require a reset by the retailers. So we're continuing to monitor that, but I have a lot of confidence based on the places where we've tested that. It has provided 2x the impact as the old planogram, so we're confident in those lifts and we'll continue to see those hit the marketplace as we progress through the year. More of that upside will come closer to midyear into the second half.

Leah Jordan

Great. Thank you.

Operator

Thank you. Our next question is from Michael Lavery with Piper Sandler. Please proceed with your question.

Michael Lavery

Thank you. Good morning.

Michele Buck

Good morning.

Steve Voskuil

Good morning.

Michael Lavery

You mentioned in your prepared remarks you're seeing cocoa end users adapting through reformulation. Could you maybe touch on what exactly you're seeing there and if you are reformulating yourselves as well?

Steve Voskuil

We have over the last several years always looking at where there may be some opportunities in formulation, but it’s critically important we maintain the taste profile and the specialness of our iconic brands. So, it’s a place we look at, we test and in some parts of our portfolio over time we’ve made some changes. We'll continue to look in that space. I would say in all the changes that we've made thus far there has been no consumer impact whatsoever.

As you can imagine, even on the smallest brand in the portfolio, if we were to make a change there’s extensive consumer testing. It's an area we'll look at, but we definitely want to make sure that we're focused on the consumer.

Michele Buck

We have been seeing some increased global demand across the market for cocoa alternative. So we are seeing some folks who are pressured who perhaps have the opportunity to switch to cocoa butter alternatives. Obviously we do that where possible, but we're pretty precious about the brands and what they stand for with consumers.

Michael Lavery

Okay. That’s helpful.

Michele Buck

Yes, it does create some demand destruction in the market as we see others do that.

Michael Lavery

Okay. Got it. You touched on something I don't think you've mentioned before, which is the potential for cellular agriculture being a long-term solution. How far on the horizon, how far off is that? Is that something to kind of consider as a potential substitute? How should we just think about what role, if any, that might play over the next, say, few years?

Michele Buck

It's something we're watching very closely. I don't think it is necessarily near term, but I think it can be a game changer, and it's certainly getting a lot of investment right now, so I think it's something to watch.

Michael Lavery

Okay. Thanks so much.

Operator

Thank you. Our next question is from Chris Carey with Wells Fargo Securities. Please proceed with your question.

Chris Carey

Hey, good morning everyone. Just first, Steve, the implied gross margin for Q1, I think it's like 41% and maybe roughly 35% for the remainder of the year. Is it fair to assume that the core differential there is cocoa inflation, or are there other considerations that we should be thinking about?

Steve Voskuil

Yes, we'll be—for the first half, we'll be down less than 500 basis points; more than that, like we talked about, earlier in the second half. And yes, the answer to your question, cocoa is really the biggest component. The inflation in the other areas, some of the other commodities, but also labor, warehousing and so forth, those things are more evenly paced over the year.

Chris Carey

Okay. Okay. Great. Then Michele, obviously your announced plans to transition out of your role, which is exciting. Can you maybe provide any more color or just context on the search process, timing and the sorts of capabilities that you would be looking for as an organization? Thanks so much.

Michele Buck

Sure. So we've had a framework for long-term succession in place always, as companies always do. Now that I have announced a firm date for my retirement, the search process is actively underway as that is appropriate.

We will conduct a very robust search process led by a search committee on the Board. Certainly, we will be recognizing and paying attention to the fast-evolving industry and world that we are all living in and experiencing today and being very selective to bring onboard somebody who has the right skills, experience, qualifications and people focus to allow us to win during this environment.

I'm confident we will find the right successor and I'm working closely with the Board on that to ensure the right selection and a seamless transition. But I am absolutely 100% laser-focused in the interim on delivering this '25 plan, continuing to execute our transformation and making sure I'm positioning the Company for our next phase of growth.

Operator

Thank you. Our next question is from Rob Dickerson with Jefferies. Please proceed with your question.

Rob Dickerson

Great. Thanks so much. I guess just around '26, maybe it's a question more for Steve. Michele, you can chime in. I guess kind of what I'm hearing today is hopefully the price of cocoa comes down, maybe new crop comes in okay, supply/demand dynamics start to settle, maybe demand weakens a little bit, so it kind of pulls it down. I think the direct comment or the line in the prepared remarks, right, that hopefully as you get to '26 and you're kind of more balanced top and bottom line growth, but then, Steve, we kind of heard you also kind of mention on algo. I'm just trying to gauge a little bit better how you kind of feel out '26, right? Is it like, yes, clearly, if cocoa comes down a bunch then our earnings can go up a bunch. If it comes down some, then really what we're hoping for is more on-algo growth, right? Because once you have a year like this year, such that absolute earnings are so far down, to me kind of a core question is, "Okay, we could be back on on-algo growth," but is there kind of a scenario that has some decent probability around it such that you could be like way above on-algo growth and kind of try to get back more of those absolute earnings? That's all I have. Thanks so much.

Steve Voskuil

Sure. Yes. We see a path, even at these cocoa prices, to EPS growth for '26, again on the back of some aggressive actions that we talked about earlier that we're framing for execution depending on what we see, particularly in the first half of this year. Then I think there's an opportunity for outsized growth: we get some help from cocoa, and we see cocoa start to backtrack. Those are kind of our operating assumptions. That's what we mean when we say that we want to see balanced growth for next year. That's what we're shooting for.

Rob Dickerson

Okay. Okay. Makes sense. Then, I guess, just quickly, while I fully respect that you, I don't think, ever talked about your hedging practices, is it fair to assume that kind of like where cocoa sits today, right, that may be you kind of give it a little bit more time before you start to actively hedge '26. I think you kind of sort of vaguely touched on that, right? We'll see kind of how it plays out, but if you do think it comes down, like my assumption would be you kind of wait a bit before you start to hedge.

Steve Voskuil

Yes, we can't comment too much on the timing of the plan for '26 hedging for competitive reasons. But we've got a great team; they're very close to what's happening in the cocoa markets and what's happening on-exchange, off-exchange and other innovative solutions, and so we're going to continue to take advantage of that. We've got the best cocoa traders out there working this, so we're going to leave it in their hands and we'll get more information as the year progresses.

Rob Dickerson

All right, super. See you in Florida. Thank you.

Steve Voskuil

Thank you.

Operator

Thank you. Our next question is from John Baumgartner with Mizuho Securities. Please proceed with your question.

John Baumgartner

Good morning. Thanks for the question.

Michele Buck

Good morning.

John Baumgartner

Good morning. Michele, I wanted to come back to Alexia's question on the U.S. chocolate category, specifically. In 2024, volume was down about 5% and that was a little bit worse than 2023 even though pricing in 2024 was about half the magnitude. It sounds as though the GLP-1s are not a big driver, but that health and wellness may still be having some impact, I guess, independently. How would you bucket the factors driving chocolate declines at this point, between health and wellness, any shift into non-chocolate confection versus savory snacks, or maybe just outright demand destruction from prices? It feels like there's a lot going on simultaneously.

Michele Buck

Yes. I'd say there is a lot going on.

I would start and say if I think about the broad confection category, first of all, Sweets has really been a high-growth area. There's been some mix that's been evolving there. Sweets delivers on a different pallet experience. Sweets has a value component to it. That's been one factor impacting the overall category and certainly having an impact on chocolate. That's been in place for a while. That's been a longer trend but continues to be there.

I think we've seen a lot of channel evolution. There's been some pressure in some of the primary channels where a lot of chocolate is sold, areas like convenience. Then there's been some growth in some of the unmeasured channels that have traditionally not been as strong across mainstream chocolate. We're shifting our focus is to really accommodate that and the overall category growth is really strong in those places, and that's an opportunity for us and also, I think, for the category.

I think the consumer focus on health and wellness is also a continuation. I don't see it as a massive change. Certainly, we're seeing really nice growth on our 0 sugar line of products and also our protein line of products, both of which we put a heightened focused on growing and we see a lot of opportunity on those going forward.

John Baumgartner

Thanks, Michele.

Operator

Thank you. Our next question is from David Palmer with Evercore ISI. Please proceed with your question.

David Palmer

Thanks. Good morning guys. I wanted to ask you about maybe some big picture growth bucket questions. Primarily, I'm curious about Seasons and how you're thinking about that this year. It's been a greater area for growth. Some tough comparisons maybe have been lapped at this point from COVID. I'm wondering how you're sort of budgeting and forecasting Seasons as a grower this year.

Then, if there's any other commentary from a channel perspective about how you're thinking this year might play out. Convenience stores also had sort of a post-COVID lack of recovery that I think was notable and I'm wondering how you're thinking about that channel and any other insights. Thanks.

Michele Buck

Yes. We're expecting strength in Seasons this year. We've been pretty consistently doing very well during Seasons. I think there's a very strong emotional component with consumers that makes them want to participate in Seasons regardless of what may be going on in the macro environment. and they love their brands that have been part of their traditions and rituals over the years with their families.

This year, Easter is advantaged being the late Easter, so that elongates the season. We expect strong growth. We expect to gain share there. We also continue to believe that we'll do well in the other seasons. As you know, performance in the prior year in a season helps to set up success in the following year and we feel good about what we delivered in the seasons this year that give us a good foundation as well going into '25.

David Palmer

Any comment on convenience as a channel? Do you think that, that will be in line with your forecast broadly? What's your thoughts there?

Michele Buck

Yes. I think that convenience will absolutely be in line with our forecast. We are continuing to forecast some pressure in that channel until we see it stabilize more. We'll lap some parts of that pressure, so that will be a help, lapping it about the summer timeframe. Continued softness until we see that lap.

David Palmer

That makes sense. Thanks very much.

Michele Buck

Thank you.

Operator

Thank you. This does conclude our question-and-answer session. You may disconnect your lines at this time. Thank you for your participation.