



The Hershey Company

**Second Quarter 2025 Earnings Results
Prepared Remarks**

July 30, 2025

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

Anoori Naughton, *Vice President, Investor Relations*

Michele Buck, *Chairman and Chief Executive Officer*

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

PRESENTATION

Anoori Naughton

Good morning and welcome to the pre-recorded discussion of The Hershey Company's Second Quarter 2025 Earnings Results. I'm Anoori Naughton, Vice President of Investor Relations. Joining me today are Hershey's Chairman and CEO, Michele Buck, and Hershey's Senior Vice President and CFO, Steve Voskuil.

In addition to these remarks, we will host an analyst Q&A-only session at 8:15 a.m. Eastern on the morning of July 30. A replay of this webcast and our subsequent Q&A session will be available on the Investor Relations section of our website, along with their corresponding transcripts.

During the course of today's discussion, Management will 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 during today's discussion we will refer to certain non-GAAP financial measures that we believe will 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 to the GAAP results are included in this morning's press release. For certain forward-looking non-GAAP measures, including adjusted gross margin, reconciliations are not provided because the Company is unable to provide such reconciliations without unreasonable effort.

It is now my pleasure to introduce our Chairman and CEO, Michele Buck.

Michele Buck

Thank you, Anoori, and good morning, everyone. Thank you for joining us today.

As you know, in January I announced my intention to retire from The Hershey Company after 9 years as CEO and more than 20 years with the Company. Before discussing our results today, I wanted to take a moment to acknowledge the exciting news that Kirk Tanner has been appointed as Hershey's next President and CEO. Kirk brings over 30 years of experience in the industry, and I am confident that he is the right person to lead Hershey and continue advancing our ambition to be a leading snacking powerhouse. He will start on August 18, and I will transition to an advisory role to ensure a smooth handover and continued execution of Hershey's strategic priorities. I want to extend my sincere congratulations to Kirk, and I look forward to Hershey's future under his leadership.

Now, on to results.

We are pleased with our second quarter results and the momentum that we are seeing in our business. Investments in our brands and impactful innovation, combined with effective execution, are enabling solid consumption and share gains across both our U.S. Confection and Salty Snacking businesses. I would like to thank our people across the business for their relentless focus and efforts in executing our plans and delivering this strong quarter. Our capable leadership team continues to make strong decisions and execute with excellence to advance the business. Looking ahead, we remain committed to delivering balanced growth, and we have taken pivotal steps toward mitigating cocoa inflation through enhanced productivity, technology-enabled efficiency and speed, and strategic pricing, which we will talk about in a few moments.

First half net sales growth of 1.7%, which smooths the impact of ERP-related inventory laps and the timing of Easter, exceeded our expectations, driven by strong performance in our North America Confectionery and North America Salty Snacking segments.

As expected, the late Easter favorably impacted retail trends in the quarter. Hershey Candy, Mint and Gum U.S. retail sales increased 21.8% versus the category increase of 17.9% in the 12 weeks ended June 29. This resulted in a share gain of approximately 90 basis points, slightly ahead of our outlook.

Category growth in non-seasonal Candy, Mint, and Gum continued to outpace broader U.S. snacking trends in the quarter. Everyday chocolate retail takeaway accelerated to 6.7%, the highest level of growth since mid-2023. This reflects the continued relevance of the category in consumer's daily lives, consumers eating more chocolate during stressful periods, and a strong response to robust category news and innovation.

Hershey non-seasonal Candy, Mint, and Gum retail takeaway of 4.7% in the quarter outpaced the category as we built momentum on a strong base of innovation and programs. Growth was balanced across the portfolio with instant consumable chocolate up 2.7%, take home chocolate up 4.6%, and refreshment up 3.0%. Our expanding sweets portfolio delivered 14.8% growth, up from 10.4% in Q1 and 3.7% in 2024, resulting in approximately 110 basis points of share gains.

Our strategies to reinvigorate instant consumable chocolate are demonstrating results. Hershey's takeaway in the convenience channel achieved a 2% growth rate, despite a decline in in-store trips. We gained 60-basis points of share in the channel behind strong execution, innovation, and incremental merchandising.

Consumption was strong across our top chocolate franchises, with Reese growth of 4%, Hershey up nearly 8%, and Kit Kat up 3% in the quarter, behind our summer limited edition programs and media campaigns. Takeaway for our Variety business also increased 2% with solid results from Cadbury, Whoppers, York, and Heath.

Our Q2 results are proof that we are making progress against key initiatives, and we have exciting plans to continue building momentum into the second half. We alluded to some of these product launches and collaborations last quarter, and I'm pleased to share an update across key programs:

- Our gold standard planogram principles are resonating, driving tremendous results where they have been implemented. The improved shop ability, space allocation, and placement are driving higher conversion and are lifting category results. For example, two major customers recently moved to the Gold Standard take home planograms and saw 8% category growth on average in the following two months. This was well ahead of national trends and led to a 40-basis point share gain for those customers. Our category captaincy will continue to deliver results for retailers and the category as we reach adoption in 60% of convenience stores this year, and increase from 50% to over 60% in take home aisles with renewed sell-in effort ahead of Spring '26 planograms.
- The Pokémon program is off to a fantastic start. Pokémon Kisses velocities are 3 times those of select other limited time offers in the market, showing the power of both the product and the partnership. Earned media impressions have already reached 2.2 billion with an overwhelming positive net sentiment score of 98%. The collectible nature of the packaging is driving strong consumer engagement and repeat purchases and generating enthusiasm for the Back-to-School season.
- Our robust sweets product pipeline continues this Fall as we bring more of Shaquille O'Neal's life into the gummy form. This time we are bringing his very own sneakers into the SHAQ-A-LICIOUS XL Gummies in three popular flavors: strawberry, lime, and mango. We will support this innovation with an experiential marketing campaign with strong cultural relevance, including dropping an actual sneaker in all gummy colors. More excitement will follow with the launch of a new multitexture product later this year, as we continue to strategically advance our presence in the sweets market.

- Lastly, we are introducing our biggest Reese's brand innovation yet. America's number one candy and the number one cookie are coming together in an iconic collaboration that consumers have been asking us for, Reese's Oreo Cup. You will see more news later today as we officially launch the collaboration. This powerhouse brand partnership will drive trial and repeat via joint displays and media activation. A meaningful portion of the launch will be in take-home pack types, a pivot from prior introductions, as we focus on capturing share in high growth channels.

We also expect to build on last year's seasonal success with solid performance in Halloween and Holiday. With these programs, we remain confident in our plans for full year share gains.

Turning to Salty Snacks. Our portfolio led in share gains among the top ten Salty Snack manufacturers this quarter as our brands continue to resonate with consumers' desire for permissible and better-for-you brands. SkinnyPop consumption increased 4% in the quarter, delivering a ready-to-eat popcorn share gain of approximately 50 basis points, driven by our new packaging, Jennifer Aniston media campaign, and Avocado & Lime and Harry Potter Butterbeer flavor innovations. Dot's growth outpaced our expectations with retail takeaway up 13%. This resulted in over 200 basis points of share gains in pretzels, driven by the BBQ flavor innovation and summer activations. Sweet and Salty continues to be a white space opportunity, with Reese Filled Pretzels seeing strong initial velocities. Our Salty variety-pack retail takeaway also increased 32%, driven by innovation and distribution gains. We expect momentum to build in Q3 for our Salty portfolio, supported by media investment, a robust promotional calendar, flavor innovation, and product rotations like Dot's Buffalo that will serve as the perfect anchor for our Fall Football programming.

Net sales trends within our International Segment were below expectations in the quarter, reflecting unfavorable currency translation, softer category growth in Mexico and reduced export demand. In Mexico, despite economic challenges and changes in regulation impacting overall chocolate category growth, Hershey continued to gain market share. Constant currency net sales increased double-digits in Brazil, driven by a robust Easter and favorable category dynamics, and mid-single-digits in Europe, led by the U.K. We are executing our playbook to turn our biggest brand, Reese, into a global juggernaut, with first half international growth of nearly 8%. We expect Reese acceleration in the second half supported by wider distribution, media activation, and a new Halloween partnership with the Scream movie franchise. For the International segment, our full-year constant currency segment net sales growth outlook remains low single digits.

Now, for our revised full year outlook. We are confident in the underlying trajectory of our business. Our retail takeaway and overall execution are delivering robust results, which we expect to continue in the second half. Moreover, we have strong visibility into second half shipments, with nearly 40% tied to seasons and new items with strong retailer support. Our full year adjusted EPS guidance is now expected to decline between 36% and 38%, reflecting strong first half results, incremental pricing, and the successful execution of cocoa procurement strategies, which are more than offset by the impact of higher taxes and current tariff policy. Without tariffs, we would have raised our full year adjusted EPS outlook. Our updated guidance fully reflects the risk from tax and tariff fluctuations, based on what we know today.

Let me turn to cocoa, our recent price increase, and the other initiatives we are implementing to drive balanced growth as we look ahead.

First, though cocoa prices have retreated year-to-date, they remain volatile and significantly elevated versus history. Based on what we know today, we continue to anticipate inflation in our cocoa input costs year-over-year in 2026. This is due to our robust hedging practices which locked in 2025 prices well below the market, modest improvement in our cost outlook for the year through execution of innovative sourcing and hedging strategies, and forward visibility from hedges we have begun to place for 2026. Our flexible hedging strategies would allow us to participate if cocoa markets retreat further in 2025, and we continue to use similar strategies in our approach to 2026 hedges.

Cocoa market fundamentals remain encouraging. The data continues to support a modest global supply surplus for the '24-'25 crop as the top three global cocoa markets track to a double-digit increase in supply

this season. There has been considerable investment from top and new origins over the past several years. In the Ivory Coast, reports indicate fertilizer usage has reached its highest level in at least five years, which should support crop development. Early pod counts suggest that the 2025-2026 crop season is off to a strong start. Our robust internal models are projecting a larger global surplus for the '25-'26 crop, as supply normalizes and end users continue to take steps to adapt to persistently high prices.

While we remain hopeful, we have not yet seen the progress in fundamentals translate to significant improvement in the cocoa financial markets. As such, we have put into action our plans to address the commodity inflation we have absorbed in our P&L over the past two years.

This month Hershey announced a new price action on the entirety of our U.S. confection portfolio. These products represent roughly 80% of total net sales and through a combination of list price and price pack architecture, we will deliver an estimated 16 points of pricing contribution to the overall Company. Consistent with previous practices, we will have a transition period for our retailers to adjust to these new prices, and we will protect key promotional events and important tentpoles for our customers and consumers who rely on Hershey's diverse portfolio of snacking options to celebrate life's moments, big and small. Our teams have been strategic and thoughtful about our relative value within our categories and broader consumption occasions. Over 75% of items in our portfolio remain under \$4. This action is projected to benefit adjusted gross margin, with no significant effect on sales anticipated for 2025.

This pricing announcement reinforces our commitment to covering commodity inflation with pricing over time. We are also implementing an initiative called Smart Complexity, to simplify packaging and product assortments and optimize manufacturing efficiency to drive savings for Hershey and our customers. This project enables us to raise our Advancing Automation and Agility transformation program savings target to \$400 million from \$350 million, as our teams accelerate a strong pipeline of opportunity, including Smart Complexity, to drive automation and efficiency leveraging our technology investments.

We are taking significant steps to address cocoa inflation and restore our advantaged margin structure while continuing to support investments in our brands and capabilities to take the business to the next level. In aggregate, the initiatives discussed today would restore adjusted gross margins by over 500 basis points in 2026. Although current market conditions suggest that increased cocoa costs and tariffs may partially offset these efforts, we are confident we are taking the right actions to deliver sustainable top- and bottom-line growth in 2026 and long term.

I'll now turn it over to Steve who will provide you with details on our financial results and outlook for the year.

Steve Voskuil

Thank you, Michele, and good morning, everyone.

Second quarter net sales results were slightly ahead of expectations driven by strong results in North America Confectionery and North America Salty Snacks, partially offset by lower-than-expected results in International.

Reported net sales increased 26% versus the same period last year. Organic, constant currency net sales growth of 26.3% was driven by net price realization of approximately 5 points and volume growth of approximately 21 points. Volume growth in the quarter was impacted by the lap of planned inventory decreases after our ERP system implementation in the prior year period, a later Easter season in 2025, and customers requesting earlier shipment of Halloween orders versus the prior year.

North America Confectionery segment net sales growth of 32% was ahead of expectations. The Sour Strips acquisition was a 60-basis point benefit, and foreign currency exchange was a 20-basis point headwind. Net price realization of approximately 6% reflects the impact of pricing announced in 2024. Volume increased 25%, of which approximately 13 points was lapping inventory changes related to the ERP system

implementation in the prior year. The balance reflects the benefit of Easter timing in 2025, and an approximate 2- to 3- point benefit from customers requesting earlier delivery of Halloween orders versus prior year, partially offset by pricing elasticity.

Net sales for our North America Salty Snacks segment increased 8.8%. Volume growth of over 4% reflects growth across Dot's and SkinnyPop, and incrementality from variety multi-packs and Reese Filled Pretzels, which more than offset a planned reduction in private label production. Net price realization increased nearly 5%, driven by the timing of promotional investments and the lap of one-time expenses related to our route to market transition in Q2 of 2024.

International segment net sales increased 4.4% in the second quarter. Foreign currency translation represented an approximate 6-point headwind. Organic, constant currency net sales increased 10%. Volume increased around 9 points, driven by an approximate 10-point volume benefit from lapping inventory shifts related to the ERP system implementation last year. Excluding this dynamic, volume was below our expectations, primarily reflecting category softness in Mexico and lower export market demand. Net price realization of around 1% was also below expectations, reflecting higher trade promotions and unfavorable mix.

Moving down the P&L, adjusted gross margin of 38.1% decreased 510 basis points in the second quarter, as commodity inflation and \$2 million of incremental tariff expenses were only partially offset by higher volume, net price realization, productivity and transformation program net savings. Gross margin was higher than expected due to the timing of cocoa hedges, higher volume leverage, and lower tariff expenses than anticipated in the quarter.

Advertising and related consumer marketing increased 35.5% in the second quarter, reflecting the timing of expenses in North America Confectionery and International segments in the prior year. Adjusted operating expenses, excluding advertising and related consumer marketing spend, increased 2.2%. This was driven by higher incentive compensation expenses, partially offset by fewer technology investments related to the ERP system upgrade, and transformation program net savings.

As Michele mentioned, we are raising the outlook for our Triple A initiative for the year and for the full program. We now expect to deliver \$150 million in net savings this year, up from \$125 million, to be realized across cost of goods sold and selling, marketing, and administrative expenses. We are also raising our three-year program target to \$400 million, up from \$350 million, as we advance a strong pipeline of opportunities to drive organizational efficiency and speed through technology.

Interest expense was \$46 million in the second quarter. Our full year outlook for interest expense is now approximately \$200 million, which reflects higher leverage versus our prior outlook.

The adjusted tax rate for the quarter was 32.8%, an increase of 840 basis points versus last year, driven by incremental non-U.S. tax reserves. We expect other expenses of approximately \$75 million to \$80 million, and a full year adjusted tax rate of approximately 24%. The increase in effective tax rate is due to changes in the global tax landscape, which have affected the execution of our tax strategies.

Adjusted earnings per share declined 4.7% year-over-year, as incremental commodity costs and a higher tax rate more than offset the benefit from volume growth, productivity, and transformation program cost savings.

In the second quarter, capital expenditures including software were \$231 million, \$113 million lower than the prior year period, as several capacity and technology projects have concluded. We continue to expect full-year capital investments of between \$425 and \$450 million.

Dividends paid to shareholders in Q2 totaled \$271 million. The Company did not repurchase any shares in the second quarter against our December 2023 \$500 million authorization of which \$470 million remains. We are prioritizing capital for the acquisition of FulFil North America, and the pending acquisition of

LesserEvil, and therefore do not expect to repurchase shares this year. We continue to expect the LesserEvil acquisition to close later this year.

To summarize our updated outlook for the full year:

- There is no change to our net sales outlook of at least 2% growth. Net sales growth in the first half, which smooths the ERP lags and Easter timing, increased 1.7%. We are seeing positive momentum in our categories, and we expect an acceleration in our performance in the second half to 2% to 4% growth, with improvement across segments behind strong innovation, merchandising plans, and seasonal contribution.
- Full year net price realization is expected to be approximately 5 points, reflecting contribution from our August 2024 and July 2025 pricing actions.
- Regarding tariffs, the global business environment remains dynamic as trade negotiations continue. For the full year, we are now modeling tariff expense in the range of \$170 million to \$180 million, below our prior expectations, due to inventory on hand, fluctuations in country specific rates, and sourcing optimization. Given the unique circumstances surrounding cocoa, which cannot be grown in the United States, we remain hopeful that tariffs on our largest exposure will improve as trade negotiations continue, though this will likely take time. We are not planning for relief in 2025 and have fully embedded these incremental costs in our full year outlook. We will mitigate our tariff exposures over time, if they endure, and already have a robust plan underway.
- Adjusted gross margin is expected to decline approximately 675 to 700 basis points in 2025. This is at the high end of our prior outlook due to the inclusion of tariffs in the second half, which more than offset the benefit from our recently announced U.S. confection pricing action, incremental cost savings through our transformation program, and favorability from our cocoa sourcing and hedging strategies.
- Adjusted earnings per share is expected to decline in the range of 36% to 38% for the year. For the third quarter, we anticipate adjusted earnings per share to decline sequentially from Q2, reflecting the impact of higher cocoa cost in the second half, incremental tariff expenses, continued strong brand investment, and a higher interest expense and tax rate year over year.

We continue to deliver strong progress across our key growth initiatives and remain confident in our outlook for top-line acceleration. Although higher hedged cocoa costs and the recent implementation of tariffs are expected to create additional earnings pressure through the remainder of 2025, we will continue to drive productivity improvements and cost efficiencies. We are also taking appropriate action in response to cocoa inflation to restore margins over time and support ongoing investment in our brands and capabilities, positioning the Company for balanced growth as we look ahead to 2026.

Before concluding, I would like to take a moment to express my personal gratitude to Michele. Your unwavering vision of expanding, innovating, and diversifying our business has been a cornerstone of our success. Under your leadership, Hershey has transformed into the resilient, multi-category snacking leader that we are today. Your commitment to excellence and strategic growth has left an enduring mark on our organization, and we'll continue to prioritize those values as we reach new heights in our business going forward. We wish you all the best in your next chapter and look forward to building upon the strong foundation you have established.

Michele Buck

Thank you, Steve. As I reflect on my over-20-year career at Hershey and 9 years as CEO, I am immensely proud of what we have accomplished during a time of tremendous change for our industry. We pushed

ourselves to evolve and grow alongside our consumers and establish ourselves as a leading snacking powerhouse while honoring our incredible history in confection. We made strategic acquisitions, like SkinnyPop, One Brands, and Dot's Pretzels to diversify our offerings and respond to changing consumer preferences. We've invested heavily in our digital infrastructure and capabilities, increasing our agility and efficiency.

Leading this iconic Company has been the pinnacle of my career and highlight of my life. To the incredible Hershey organization, thank you for your dedication to our mission and your commitment to excellence. To my executive team, thank you for your relentless focus on delivering results today while also courageously evolving Hershey to set us up for sustainable growth. To our partners and customers, thank you for your insights, creativity, and shared focus on innovation. To our consumers, thank you for allowing us to delight you and create more moments of goodness, however big or small. And finally, thank you to our investors and analysts. You've been alongside us for all of it, and your engagement and focus on our business and the industry has undoubtedly pushed us to become an even stronger company, one that is well-positioned for the future and one that I am honored to hand over to Kirk.

Steve, Anoori and I are now available to take your questions.