



**The Hershey Company**

**Fourth Quarter 2025 Earnings Results (Prepared Remarks)**

**February 4, 2026**

**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*

**Kirk Tanner**, *President & Chief Executive Officer*

**Steve Voskuil**, *Chief Financial Officer*

## PRESENTATION

### Anoori Naughton

Good morning and welcome to the pre-recorded discussion of The Hershey Company's Fourth Quarter 2025 Earnings Results. I'm Anoori Naughton, Vice President of Investor Relations.

Joining me today are Hershey's President and CEO, Kirk Tanner, 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 8:30 a.m. Eastern on the morning of February 5. 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 which is available on the Investor Relations page of our website.

It is now my pleasure to introduce our President and CEO, Kirk Tanner.

### Kirk Tanner

Thanks, Anoori. Good morning, everyone, and thank you for joining us today.

I want to start by expressing my confidence and enthusiasm as we enter 2026, a true inflection point on our journey towards a stronger, more ambitious future. We're carrying meaningful momentum into the year, with a clear and focused commitment to accelerating sustainable sales growth, restoring margins, and positioning Hershey for the long-term success as we execute the first chapter of our strategy.

In 2025, our team demonstrated remarkable agility and execution, successfully navigating a year marked by unprecedented cocoa inflation and broader macroeconomic volatility. We led through disciplined execution, strengthening relationships with customers, and delivering impactful innovation. These efforts drove top-line growth and market share momentum in North America Confection and our Salty Snacks business, reinforcing our confidence as we look into 2026.

Now, turning to our business performance. Total Hershey net sales increased 7% in the fourth quarter, and we delivered 4.4% net sales growth for the full year.

The Retail environment for U.S. snacking remained steady during the fourth quarter, as consumers continued to spend selectively, prioritizing products that offer either emotional or functional value. Retail takeaway for the U.S. Confectionary category accelerated in 2025, reflecting durable consumer demand. For the year, Confection was the third fastest growing U.S. snacking category behind only nutritional bars and meat snacks.

Hershey's U.S. Confection Retail sales growth was in-line with the category in the fourth quarter, reflecting the strong performance of innovation, Holiday programming and execution, and favorable price elasticity. For the year, Hershey built upon its strengths and achieved annual market share gains across instant consumable chocolate, sweets, mints, and seasons. We're excited about 2026 and our plans will continue building on our areas of strength while accelerating within take-home chocolate and increasing our activation around key cultural events.

In 2025, our U.S. Salty Snacking business had an exceptionally strong year. Retail sales growth accelerated in the fourth quarter to 15.6%, resulting in an 11.3% increase for the full year. SkinnyPop ready-to-eat popcorn and Dot's Pretzels remain two of the fastest growing brands among all top Salty brands, with Retail sales growth of 8% and 21%, respectively in the fourth quarter versus the prior year. Moreover, our investments to meet growing demand for variety packs contributed nearly two points to total Retail growth in the quarter, and 1.2 points for the full year.

Our Salty Snack business gained nearly 40 basis points of share in 2025. Sustained organic growth, along with the recent acquisition of LesserEvil, position us to have the third largest portfolio in the U.S. Salty Snack business. Thanks to our on-trend brands, considerable scale, and robust capabilities, we are confident in delivering industry leading growth over the long-term.

In 2025, the International segment achieved full-year organic constant currency net sales growth of 2.2%, demonstrating resilience in the challenging market conditions. Our teams maintained a strong focus on executing in our key markets, as shown by market share gains across Mexico, Brazil, and the U.K. Additionally, Reese's continued to see robust International expansion, recording double-digit growth for the year and exceeding \$300 million in net sales outside of the U.S.

We are also delivering on our Efficiency and Transformation programs, strengthening our cost structure to fuel investments in our brands and capabilities. Our Triple A program has generated over \$300 million in net savings over the past two years, above our plan, and is projected to deliver an incremental \$100 million in 2026. At the same time, our Procurement Team did a remarkable job navigating volatile cocoa markets in 2025, using agile hedging and sourcing strategies to significantly reduce the impact of cocoa inflation. These programs enable us to expand capability building investments in talent and technology and deliver differentiated performance into the future.

Looking ahead to 2026, we are operating in an environment where categories offering emotional, functional, and experiential benefits remain strong. Three quarters of our portfolio sells at price under \$4, making these benefits widely accessible. At the same time, we're monitoring several factors including policy changes, consumer financial pressure, and evolving health and wellness trends, which we believe we have planned for appropriately.

Our strategic priorities for 2026 are clear. Deliver top-line growth at or above our market categories; drive substantial margin and earnings improvement while increasing investments for sustainable growth in '27 and '28 and continue evolving our strategy and organization for the future.

Let me offer more detail across each of these. Our first priority is to drive sustainable top-line growth. We have an exciting calendar of innovation launches and cultural activations backed by increased brand investment. Our plan gives us confidence in delivering between 4% and 5% net sales growth in 2026. Our innovation pipeline is strong, with launches planned to meet a range of consumer needs and occasions that will drive category excitement and growth.

Reese's Oreo continues to outperform expectations, and we have increased production capacity to meet sustained demand throughout 2026. We are introducing Shaq-a-licious Slams, a multi-textured gummy that delivers a unique playful, sensory experience. We are launching Jolly Rancher Heat Wave, which brings heat to the bold and adventurous palate. In Salty Snacking, we are reformulating SkinnyPop White Cheddar and other dairy items to enhance the consumer experience and drive penetration in this key popcorn segment. We also have groundbreaking innovation coming for Hershey, Dot's, and our Protein

portfolio. We look forward to sharing more details about these and our multi-year innovation roadmap at our Investor Day in March.

In 2026, we will activate ten major cultural and seasonal moments with our strong in-store and online presence. Our campaigns begin this weekend with the Olympics, followed by Valentine's Day, March Madness, and Easter, and continue with a scalable experiential calendar across seasons and new events throughout the year.

This year, we will boost our media investment by double-digits. During the first quarter, we will initiate new media campaigns for our two leading brands, Reese's and Hershey, marking the first such launches in eight years. We also continue to invest in Reese's and Hershey's internationally to accelerate trial on our largest global brands. New Pirate's Booty media and renovated packaging are also currently entering the market, as we refresh and energize our third largest Salty Snacking brand.

Turning to our second priority, we are meaningfully restoring margin and earnings while reinvesting in our business for future growth. We will execute our pricing, productivity, and cost savings programs with excellence, and expect to deliver approximately 400 basis points of gross margin recovery in 2026. We have been monitoring the impact of elasticities, particularly in January when seasonal interaction is lower. Our elasticity outlook has been modestly adjusted to reflect results that have been favorable versus our original forecast. However, we also acknowledge that numerous factors can affect elasticities over time, so we remain cautious.

In 2026, we expect to deliver an incremental \$230 million in efficiency and transformation program savings. These programs enable investment in technology to further strengthen our capabilities across consumer data insights, demand forecasting, commercial investments, and supply chain agility. They will also further differentiate our industry-leading retail execution capabilities.

Our annual plan also includes scaled investments in R&D, innovation, and brand building. These focused projects advance our long-term brand and portfolio objectives and strengthen our execution capability for future growth.

Our third priority is to continue evolving our strategy and organization for the future. Next month, we will unveil our long-term vision focused on delivering sustained value to consumers, customers, and shareholders in this dynamic marketplace. You'll hear more about our portfolio and capability building initiatives that will advance our global snacking leadership. In 2026, we will begin executing against this strategy by evolving our partnerships, strengthening our technology infrastructure, and making foundational investments that position us for long-term competitive advantage.

I'll now turn it over to Steve for details on our financial results and outlook.

### **Steve Voskuil**

Thank you, Kirk, and good morning, everyone.

In 2025, we've delivered on our full year financial objectives while navigating a dynamic business environment with operational excellence and disciplined cost management. We achieved consolidated net sales of approximately \$11.7 billion, an increase of 4.4% versus the prior year, with organic constant currency growth of 4.2%. While earnings were pressured by unprecedented cocoa inflation and tariff volatility, we provided strong support for our brands, prioritized the strategic acquisition of LesserEvil, and took decisive action with strategic pricing and cost efficiency and productivity programs. These initiatives in turn supported top-line momentum and material profit recovery and set us up for strategic investments in 2026, that will ensure our strong performance against our long-term algorithm.

Turning to the fourth quarter, consolidated net sales increased 7% to \$3.1 billion, with organic constant currency growth of 5.7%. Net price realization contributed approximately 9 points of growth, partially offset

by elasticity-driven volume declines in the North America Confectionery and International segments. Acquisitions added 1.2 points to growth, reflecting the contributions from LesserEvil and Sour Strips.

By segment, in the fourth quarter North America Confectionery net sales increased 5.3%. The Sour Strips acquisition was a 40-basis point benefit. Net price realization was approximately 10 points, in line with our expectations. Volume decreased approximately 5 points as the impact of price elasticity was partially offset by strong performance on innovation and Holiday programming as well as the benefit of one extra shipping day.

North America Salty Snacks segment net sales increased 28% in the quarter, with organic constant currency growth of 18.2%. Volume growth of approximately 14 points was driven by core distribution and velocity, innovation, and the expansion of variety packs. The planned reduction of sales to private label customers was a mid-single-digit headwind to volume, largely offset by earlier shipments of New Year, New Me programming and one extra shipping day. Net price realization contributed 4 points, primarily due to lower promotional investment versus prior year. The acquisition of LesserEvil contributed approximately 10 points to segment growth.

In the fourth quarter, the International segment net sales increased 0.4% to \$256 million. Organic constant currency net sales declined 1.9%, as net price realization of approximately 2 points was more than offset by a 4 point decline in volume. Net price realization reflected strategic price increases in key markets around the world, partially offset by investments in portfolio optimization and distribution routes to support future growth. Volume declines reflected price elasticity and an approximate 4 point headwind from the timing of shipments.

Moving down the P&L, fourth quarter adjusted gross margin was 38.3%, a decrease of 650 basis points versus prior year. This decline reflects commodity inflation, incremental tariff expenses of approximately \$30 million, and lower volume partially offset by net price realization, productivity, and transformation program savings. This was ahead of our expectations, reflecting tariff policy relief and strong supply chain performance.

Advertising and related consumer marketing expenses increased 4.2% in the quarter versus prior year, reflecting increased investment in Salty Snacks and International, partially offset by reduced agency fees and higher media efficiencies in North America Confectionery.

Adjusted operating expenses, excluding advertising and related consumer marketing expenses, increased 12.6% driven by higher incentive compensation, partially offset by transformation program net savings.

Our Triple A transformation program delivered approximately \$160 million in net savings in 2025, slightly ahead of our target, driven by incremental supply chain savings. We remain on track to deliver an incremental \$100 million in net savings in the final year of our program in 2026.

Interest expense for the quarter was \$48 million. The adjusted effective tax rate for the quarter was 23.4%, up from negative 13.7% last year, largely driven by fewer renewable energy tax credits versus the year-ago period.

Turning to capital allocation, we continue to prioritize reinvestment in our business, including M&A in 2025. We completed the acquisition of LesserEvil in November 2025, which strengthens our better-for-you snacking platform and positions us to capture incremental growth in this fast-expanding category. Capital additions, including software, were \$138 million in the fourth quarter, bringing the full-year investment to approximately \$455 million. During the quarter, dividends distributed to shareholders amounted to \$271 million, resulting in a total of \$1.1 billion for the full year. We did not repurchase shares in the quarter, with \$470 million remaining under our current authorization.

Now, let me share some perspective on 2026. We expect full year 2026, total company net sales growth of between 4% and 5%. Net sales related to the acquisition of LesserEvil is expected to add approximately 150 basis points to growth. The impact of foreign currency is expected to be immaterial.

Total company Organic net sales are projected to grow 2.5% to 3.5%, driven by announced pricing, innovation, increased brand investment, and a strong activation calendar, partly offset by a low-single-digit decline in the International segment due to elasticity and strategic portfolio decisions supporting profit recovery.

Net price realization is anticipated to be approximately 10 percentage points.

As Kirk mentioned, we now expect slightly lower volume sensitivity to pricing actions than previously planned. Our 2026 outlook also incorporates prudent assumptions for potential demand headwinds, including accelerated health and wellness trends and increasing GLP-1 adoption, government policy changes, and ongoing consumer financial strain.

First quarter total Company net sales are expected to increase by high-single-digits, reflecting the momentum we carry in from Q4, the benefit of an earlier Easter, and favorable year-over-year comparisons in the convenience channel.

For the full year, we expect adjusted gross margin recovery of around 400 basis points. With very good visibility into our cost basket, we anticipate a low single digit decline in our total cost of goods sold in 2026. This represents the impact from elasticity-driven volume reductions, net of cost absorption, stable rates across our commodity and packaging basket, and modest increases in labor and other manufacturing expenses, net of savings generated from our productivity and transformation initiatives.

In the first quarter, we anticipate our overall company adjusted gross margin will continue to face pressure due to consumption of higher cost commodities and tariff costs. A significant recovery is projected to begin in the second quarter.

As Kirk discussed, we are balancing our commitment to achieving the full profit potential of our business with our focus on long-term sustainable growth and strong margins. In 2026, you will see us increase our budgets for R&D, innovation, brand building, and our retail sales team. We will talk more about these and expected returns at our investor day in March.

Advertising and related consumer spending is expected to increase double digits versus the prior year, as we support momentum across our business. Investment will be up across both working and non-working media, as we develop creative in support of our long-term brand and portfolio objectives. Operating expenses, including divisional and corporate expenses, are expected to increase in-line with sales. This reflects increased investment in capabilities, talent, and technology, partially offset by favorability in incentive compensation and incremental transformation program savings.

Below operating profit, we expect our full year 2026 adjusted effective tax rate to be approximately 25% to 27%. Other expense, which primarily reflects periodic costs relating to pension and other benefits plans, is expected to be approximately \$15 million. Finally, interest expense is expected to be between \$200 million to \$210 million.

Our 2026 adjusted EPS outlook is for a range of 30% to 35%. In the first quarter, we anticipate earnings to decline low-single-digits, reflecting residual commodity and tariff pressure and elevated investment levels, which are expected to more than offset strong top-line growth. Adjusted EPS is expected to grow by double digits each quarter throughout the remainder of 2026.

Our capital allocation priorities remain consistent. As discussed, we will continue to prioritize business reinvestment in 2026, including the addition of attractive accretive brands like LesserEvil. Capital expenditure is projected to be in the range of \$425 million to \$475 million for the year, inclusive of technology

investments that aim to strengthen our supply chain and commercial capabilities with prudent investment. Given our strong cash flow outlook and our confidence in future business performance, we are raising our dividend by 6%. Moreover, we will look to evaluate opportunistic share repurchases to return excess cash and enhance long-term shareholder value.

We are looking forward to sharing more details on our long-term strategy and capital allocation priorities at our Investor Day next month.

With that, I will turn it back to Kirk for closing remarks.

**Kirk Tanner**

Thank you, Steve. In closing, I want to thank our team members for their unwavering focus, execution, and agility in 2025, which has resulted in the strong momentum we have today. We have clear visibility into our strategic brand and capability investments, solid operating plans, and an improving cost outlook. We are confident in our ability to sustain our positive top-line momentum, achieve significant profit recovery in 2026, and deliver long-term growth and sustainable value creation for our shareholders. We look forward to discussing this in more detail at our Investor Day on March 31<sup>st</sup>.