



The Hershey Company

Third Quarter 2025 Earnings (Prepared Remarks)

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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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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 Third 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 October 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 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

Thank you, Anoori and good morning, everyone.

I had the honor of joining The Hershey Company as President and CEO in August, but I've followed and admired Hershey throughout my 30-year-plus career in food and beverage. This is a rare, purpose-driven company with a long history of enhancing life's special moments, big and small. I'm excited and honored to lead this great company, and I'm grateful to the Board, Executive Leadership team and colleagues across the Company for the warm welcome.

Three months in, my observations on Hershey track closely to what I'd hoped for. Before we dig into results, let me share what I'm seeing across three areas: our people and purpose, our iconic brands and robust capabilities, and our strong execution against plans.

First, **our people and purpose**. From the leadership team to the 19,000+ colleagues worldwide, this team is exceptional. Our purpose – Making More Moments of Goodness – and Hershey's founding values permeate everything we do. There is a commitment to doing right by all of our stakeholders. The Milton Hershey School is a powerful point of pride that brings this to life. I've seen this commitment in countless ways already, and I am confident this is the team that will steer Hershey into the next generation of growth.

Our iconic brands play a unique role in people's everyday lives and that connection drives our success. We have a strong presence in resilient categories and are well positioned to deliver balanced growth. That is supported by our strong capabilities across areas such as supply chain and manufacturing, retail sales, strategic revenue growth management, R&D, and innovation. I'll come back to that point in a few minutes with an update on the success of our highly anticipated Reese's and Oreo collaboration.

And finally, our **delivery against plans**. We have loved brands in resilient categories, underpinned by a strong foundation across the business. But it's our relentless execution that will make our vision of becoming a multi-category snacking leader a reality.

The business environment has been dynamic, and I want to commend the team for staying focused and executing against key objectives throughout a challenging year. To highlight a few of these accomplishments, year-to-date the team have:

- Returned Hershey's chocolate retail sales growth to 4% after a previous 1% decline in 2024.
- Increased sweets penetration by 65 basis points through innovation and brand building.
- Driven mainstream U.S. Candy, Mint, and Gum market share expansion of over 15 basis points.
- Revitalized SkinnyPop with new packaging, marketing, and price pack architecture that achieved 6% retail sales growth.
- Secured U.S. pretzel market share leadership with Dot's.
- Expanded share across most key international markets. And,
- Responded to inflation with disciplined cost control, an expanded transformation effort, and strategic pricing.

We are benefitting from the positive results of these actions and are pleased with momentum we're seeing across the business.

With that, I'll turn to the third quarter performance.

Total Hershey net sales increased 6.5%. Organic constant currency net sales growth of 6.2% was ahead of expectations, driven by strong innovation, strategic brand investments, and market leading execution. The net impact of acquisitions and divestitures was a 30-basis point benefit, driven by our Sour Strips acquisition.

Demand within the U.S. Candy, Mint, and Gum (CMG) category continues to demonstrate resilience and expandability through innovation and new consumer occasions.

Our in-store execution, aisle optimization, innovation, and media and brand investments are contributing to accelerated performance. Hershey CMG retail sales increased 5.4% versus the prior year in the 12 weeks ending September 28. Retail takeaway growth was led by the non-seasonal business, which increased to 6.6% from 4.7% in the previous quarter, resulting in a share gain of more than 10 basis points. This strong performance was balanced across core brands and innovation as well as across instant consumables and take home items.

Consumption exceeded category growth in four of the top five franchises, with Reese's up 7%, Hershey up 11%, Cadbury up 10%, and Jolly Rancher up nearly 30% in the quarter versus the prior year. Hershey's better-for-you portfolio also contributed with 8.5% growth in the quarter, driven by double-digit growth in our zero-sugar platform and Brookside.

In the third quarter, Hershey products comprised five of the top ten innovations in U.S., reflecting our bigger, bolder, more impactful innovation strategy. Reese's Oreo was the top new item in the category in Q3, and retail sales trends are exceeding our internal targets. Trial and repeat are very strong and in the top quartile across all major manufacturer chocolate innovation in the past three years. Moreover, early data shows that Reese's Oreo over indexes with Gen Z and Millennial buyers, a priority audience for the brand. Looking ahead, we plan to sustain engagement and boost awareness with fresh creative and partnerships to promote Reese's Oreo across TikTok, Instagram, and live events.

Jolly Rancher Ropes, Freeze Dried candies, and Shaq-a-Licious Gummies are also top innovations in the category and expanding our reach into new consumer segments. Our marketing strategies for Shaq-A-Licious Gummies focuses on raising awareness and authentic engagement with young consumers. Recently, we held pop up events at Basketball City and other New York City basketball courts, generating

excitement and media coverage that spanned from sneaker culture and basketball communities to mainstream TV.

We are encouraged by the robust performance of our U.S. Confection business into October and the increasingly balanced contribution across our portfolio, which are essential for sustained growth and continued improvement in market share. Our everyday CMG retail sales increased 12% in the past four weeks, with double-digit growth across Chocolate, Sweets, and Mints. Although the Halloween season began slower than anticipated, it was likely influenced by factors such as warmer weather conditions, and a concentration of seasonal purchases in the final week due to Halloween occurring on a Friday. While Hershey's Halloween performance has been disappointing, the softness is not broad based across our business. We are using this opportunity to analyze the trends and will adjust our product lineup and marketing strategies for future seasons.

Moreover, we remain confident that the seasonal traditions continues to be important to consumers with the Halloween participation rate expected to be in-line with 2024. Our Retail teams have been hard at work ensuring that consumers can purchase all their favorite Halloween treats in the final days leading up to celebrations this weekend. We have also added additional investments to support both Halloween and Holiday seasons.

Finally, our North America Confectionery pricing initiative remains on track. Our teams partnered closely with retailers to execute our strategic pricing, which is starting to be reflected on shelves. As a reminder, the actions we have put into place did not fully cover the commodity inflation we have experienced over the past two years. While we are pleased to see the convergence of our pricing approach with improvement in the commodity markets, based on what we see today, we still have more work to do, as cocoa prices remain up over 70% from 2023 levels. We remain committed to our approach to managing cost inflation through all levers over time.

We will also continuously drive productivity to enable investments in our brands and capabilities. In 2026, we plan to increase investments in technology to further strengthen our capabilities across consumer data insights, demand forecasting, commercial investments, and supply chain agility.

Turning to Salty Snacks. Our portfolio is well positioned to help meet consumers' growing desire for permissible and better-for-you snacking options. All three of our brands contributed to the 14% year-over-year increases in retail takeaway in the third quarter, resulting in a share gain of nearly 50 basis points in Salty Snacks. SkinnyPop ready-to-eat popcorn and Dot's pretzels are two of the five fastest-growing brands among the top twenty Salty brands, with retail sales growth of 7% and 13% versus the prior year, respectively. Moreover, Pirate's Booty retail sales increased 11% year-over-year in the quarter, reflecting strong back-to-school performance, the Pokémon partnership and multipack expansion were part of that. Puffs is the third largest category in Salty Snacking, and we see significant opportunity for Pirate's Booty to play a bigger role. Next year, we will refresh Pirate's Booty using the playbook we successfully executed to reinvigorate SkinnyPop in 2025. We look forward to sharing more detail, in addition to exciting plans for SkinnyPop and Dot's expansion, next quarter.

International Segment net sales exceeded expectations, partly due to shipment timing, which we expect to reverse in Q4. Constant currency net sales increased double digits in Brazil and Europe driven by net price realization, innovation, distribution gains, and media investment behind Reese's. Global Reese net sales increased double digits in Q3, driven by strong brand equity investments and activation including our Halloween partnership with the *Scream* movie franchise. In Mexico, we continue to see economic and regulatory challenges impacting overall category growth, which we expect to remain a headwind through at least the first half of 2026. Despite the environment, Hershey gained share in Mexico chocolate, and we are executing plans to reinvigorate the spicy candy portfolio. Our 2025 outlook for the segment remains low-single-digit constant currency growth. This implies a deceleration in Q4, which reflects the impact of higher price elasticity, category softness in Mexico, and the aforementioned timing of shipments.

Next, turning to our revised full year outlook. Our overall Retail takeaway year-to-date, particularly the inflection delivered in Q3, gives us confidence in the underlying trajectory of our business. As such, we are raising our net sales outlook to approximately 3%, up from our prior outlook of at least 2%. We are also raising our full year adjusted EPS guidance to the top half of our prior outlook. We now anticipate adjusted EPS to decline between 36% and 37%, as our strong top-line results are offset by higher supply chain costs, unfavorable mix, and strategic brand investments. We remain focused on actions that will drive the long-term success of the Company and are confident that we will deliver on-algorithm top- and bottom-line growth in 2026. There is tremendous opportunity for Hershey ahead and we will remain flexible to invest in areas that we believe will strengthen future growth prospects while continuing to make progress against our commitment to margin and earning recovery over time.

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

Steve Voskuil

Thank you, Kirk, and good morning, everyone.

Third quarter reported net sales increased 6.5% versus the same period last year. This was ahead of expectations, reflecting strong core performance across all three segments as well as shipment timing in the International segment.

Organic, constant currency net sales growth of 6.2% was driven by net price realization of approximately 6 points along with slight volume growth in the third quarter. Net price realization reflects the combination of pricing announced in 2024 and 2025, and only partially mitigates commodity cost inflation absorbed over the last two years. Volume growth in the quarter was driven by North America Salty Snacks and the timing of International shipments, mostly offset by the impact of price elasticity in North America Confectionery and International.

North America Confectionery segment net sales increased 5.6% year-over-year. The Sour Strips acquisition was a 40-basis point benefit. Net price realization of approximately 7% primarily reflects the impact of pricing announced in 2024, with a modest contribution from pricing announced in 2025. Volume declined approximately 1%, reflecting strong performance in the everyday business and innovation related shipment timing, which partially offset the impact of price elasticity.

North America Salty Snacks segment net sales increased 10%. Volume growth of approximately 11% reflects growth across Dot's, SkinnyPop, and Pirate's Bounty, as well as incrementality from Reese Filled Pretzels and variety multi-packs, which more than offset planned reductions in private label production. Net price realization was down approximately 1%, reflecting the timing of customer programming.

International segment net sales and organic constant currency net sales both increased 12.1%. The impact of foreign currency translation during the third quarter was negligible. Net price realization was approximately 7%, reflecting strategic pricing initiatives across key markets. Volume increased around 6%, driven by an approximate 5-point benefit from the timing of shipments, which we expect to reverse in Q4. Excluding this benefit, volume was above expectations, primarily reflecting strong growth in Brazil, Europe and our global Reese's expansion, which was partially offset by the impact of price elasticity across markets.

Moving down the P&L, adjusted gross margin of 31.8% decreased 850 basis points year-over-year in the third quarter. Commodity inflation, incremental tariff expenses of approximately \$65 million, and unfavorable mix were only partially offset by higher volume, net price realization, and Productivity and Transformation program net savings. Gross margin was higher than expected due to the timing of cocoa hedges and earlier-than-planned net price realization.

Advertising and related consumer marketing decreased 5% from the prior year in the quarter, primarily reflecting reduced agency fees and efficiencies in North America Confectionery, which were partially offset by increased investment in the North America Salty Snacks and International segments. Adjusted operating

expenses, excluding advertising and related consumer marketing expenses, increased 5% driven by higher incentive compensation and consulting fees, partially offset by Transformation program net savings.

We remain on track to deliver an incremental \$150 million in net savings this year as part of our Triple A program, to be realized across cost of goods sold, and selling, marketing, and administrative expenses.

Interest expense was \$51 million in the third quarter, in line with expectations. Our full year outlook for interest expense is now approximately \$195 million.

The adjusted tax rate for the quarter was 26.7%, up from 15.2% last year, driven by higher levels of renewable energy tax credits in the prior year period. We now expect a full year adjusted tax rate of approximately 26%, with other expense of approximately \$30 million to \$35 million.

In the third quarter, capital expenditures, including software, were \$86 million, \$42 million lower than the prior year period, as we lap investment in capacity expansion projects that have since concluded. We expect full-year capital investments of approximately \$425 million reflecting improved visibility to on-going projects.

Dividends paid to shareholders in Q3 totaled \$271 million. The company did not repurchase any shares in the third quarter against our December 2023 \$500 million authorization of which \$470 million remains.

Let me summarize our outlook for full year 2025:

Based on year-to-date performance and visibility into Q4, we are raising our full year net sales outlook to approximately 3% growth, up from at least 2%. Net price realization for the year is expected to be between 5-points and 6-points.

Regarding tariffs, we are now modeling tariff expense in the range of \$160 million to \$170 million, a \$10 million reduction, reflecting lower Canadian retaliatory tariffs partly offset by fluctuations in other country-specific rates.

Adjusted gross margin is expected to decline approximately 675 basis points to 700 basis points in 2025, in-line with our prior outlook, as the higher sales outlook and improvement in tariffs are offset by higher supply chain costs, unfavorable mix, and strategic brand investments in Q4. For the fourth quarter, we expect adjusted gross margin to decline more than in Q3, as higher cocoa costs, tariff expense and the timing of hedges are only partially offset by incremental net price realization.

Adjusted earnings per share is expected to decline in the range of 36% to 37%, the upper half of our previous range.

Before I turn it back to Kirk, let me touch on cocoa and 2026.

On cocoa, we are encouraged to see cocoa financial markets beginning to respond to improving fundamentals. We are optimistic that the recently announced farmer price increases in Ivory Coast and Ghana will further encourage farm investments. This is an important step, together with the industry's sustainability commitments, to assuring the long-term supply of cocoa while enhancing the livelihoods of cocoa farmers in these countries. Meanwhile, the supply of cocoa from other origins continues to expand. Our robust internal models continue to project a bigger global supply surplus for the '25 and '26 crop than the prior season, as global supply returns to the long-term trend, and end users continue to adapt to higher prices. The Q3 global grind, a measure of demand, was down 13% year-over-year, the 10th straight quarter of mid-single-digit or greater declines.

While cocoa futures have retreated, based on what we know today, we continue to forecast cocoa inflation in 2026. This reflects our robust Hedging program which locked in prices well below the market in 2025, and the coverages we have placed for 2026. If cocoa prices continue to retreat, we are able to participate in some downside, but our overall Hedging program is designed to provide visibility and reduce volatility in

market prices over time. While the long-term outlook is brightening, based on what we see today, we will continue to manage through the commodity cost inflation and tariff expenses we've absorbed over the last two years, which are not yet fully recovered by recent pricing actions.

We recognize that the marketplace will continue to be dynamic and evolving in 2026. Our agile and dedicated team continues to deliver on our key initiatives while supporting investment in our brands and capabilities, which gives us confidence in delivering balanced top and bottom line growth in 2026 and beyond.

I will now turn it back to Kirk for closing remarks.

Kirk Tanner

Thanks Steve. I am excited to steer the next generation of growth at the Company, working closely with our talented team members, valued customers, and the Board. Together, we'll focus on delighting consumers and delivering results as we unlock our full potential as a snacking industry leader. I look forward to sharing our strategic plan and vision to further advance Hershey's snacking leadership at our 2026 Investor Day.