



**The Hershey Company**

**First Quarter 2025 Earnings Conference Call  
Q&A Session**

**May 1, 2025**

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

**Anoori Naughton**, *Senior Director, Investor Relations*

**Michele Buck**, *Chairman and Chief Executive Officer*

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

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

**Ken Goldman**, *JPMorgan*

**Andrew Lazar**, *Barclays*

**Max Gumpport**, *BNP Paribas*

**David Palmer**, *Evercore ISI*

**Robert Moskow**, *TD Cowen*

**Jim Salera**, *Stephens Inc.*

**Peter Galbo**, *Bank of America*

**Alexia Howard**, *Bernstein Alliance*

**Michael Lavery**, *Piper Sandler*

**Megan Clapp**, *Morgan Stanley*

**Tom Palmer**, *Citi*

**Leah Jordan**, *Goldman Sachs*

**Chris Carey**, *Wells Fargo Securities*

**Scott Marks**, *Jefferies*

**Bingqing Zhu**, *Redburn Atlantic*

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

**Operator**

Greetings and welcome to The Hershey Company First Quarter 2025 Question-and-Answer Session. If you would like to join the question queue, please press star, one on your telephone keypad. At this time, all participants are in a listen-only mode. As a reminder, this conference is being recorded.

I'd now like to turn the call over to your host, Anoori Naughton, Senior Director of Investor Relations for The Hershey Company. Thank you. You may begin.

**Anoori Naughton**

Thank you and good morning everyone. Thank you for joining us today for The Hershey Company's First Quarter 2025 Earnings Q&A Session.

I hope everyone has had a 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 provides 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. Once again as a reminder, it's star, one to join the question queue. We ask that you please ask one question and one follow-up.

Our first question comes from the line of Ken Goldman with JP Morgan. Please proceed with your question.

**Ken Goldman**

Thank you, and I appreciate the help on your 2Q tariff expense. Just appreciating the fluidity of the situation and that you're taking some mitigating actions, including trying to get an exemption, is there a rough way for investors to think about the risk ahead if an exemption doesn't immediately come through? I guess I'm trying to quantify what might not be currently quantifiable. But I guess, any help in thinking about the level of risk in 3Q and 4Q might help to diminish some of the uncertainty on the stock.

**Michele Buck**

Steve, do you want to take that one?

**Steve Voskuil**

Yes. You bet. Thanks for the question, Ken.

Yes, so for Q2, I think we have enough clarity to share that 15 to 20—as you'd expect, we've got a lot of inventories, so that mitigates some of the impact for Q2.

As we look to the back half, as you said—I'll start by saying it changes constantly and that's part of the reason for not sharing it in the release. But if we look at the unmitigated impact for Q3 and Q4—and of course, we are going to mitigate, we'll talk more about that in a minute—but the unmitigated impact could be up to \$100 million per quarter for Quarter 3 and Quarter 4.

If you break that down, two-thirds of it are either cocoa or the Canadian retaliatory tariffs. Those are the two areas where, as you can imagine, we've got the most effort focused on influencing government action, using every lever at our disposal to get those tariffs changed, particularly with respect to cocoa, but that's the impact of unmitigated.

As we've talked about in the past, we're going to use, aside from lobbying and the influencing and so forth, we're going to use every lever in the toolbox for whatever amount of tariffs remain as we go forward in the back half of the year. We'll be in a position to share more specifics about those actions when we kind of get to the midyear mark. But as we've said before, all of the levers are on the table as we look at mitigating both cocoa and that incremental tariff component.

**Michele Buck**

Yes. And Ken, I'd just add all that work is well underway exploring every lever: productivity, pricing, sourcing, manufacturing changes, all of that.

**Ken Goldman**

Got it. Okay. That's very clear. Thank you. Then a quick follow-up. You said to expect 2Q EPS to decline by less than 1Q, just on the Easter season timing and some ERP reversals. 1Q was down, obviously, pretty heavily over 30%, but The Street is modeling 2Q down less than 2%. Again, I know there's some uncertainty here, but how would you like us to think about the magnitude of that decline? Just in light of some of the tailwinds and headwinds you mentioned.

**Steve Voskuil**

I'll give you a couple of things. In total for the first half, we expect EPS to be down about 30%. So if you kind of take the full year guide at down mid-30s, it also implies the back half probably down about 40%.

If we go a little bit deeper on the second quarter, as you mentioned, the net sales side will be very strong with the long Easter, the lap of the deload last year with the ERP change. For the second quarter, we expect gross margin to be down about 700 basis points and that includes that small tariff component that I mentioned earlier. We also expect the SG&A dollars will be up meaningfully, and part of that is last year we didn't spend much on marketing and so on as we came out of the ERP transformation, so you can expect that this year we'll have high teens year-over-year SG&A growth in the second quarter, just reflecting that bigger lap.

Gross margin was probably the biggest change relative to the Q2 outlook, and as you mentioned, there's some noise there with the new ERP system and basically how we manage commodity costs to the P&L across the quarters, but on a full-year basis, it has no impact.

**Ken Goldman**

Thanks so much. I appreciate it.

**Steve Voskuil**

You bet.

**Operator**

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

**Andrew Lazar**

Great. Thanks so much. Last quarter, in the prepared remarks you mentioned an outlook for balanced top and bottom line growth in '26. And on the call last quarter, I think you mentioned an expectation for earnings growth next year, even at current cocoa levels. In today's prepared remarks, you mention some actions that you'll take next year, but don't go as far as to discuss earnings next year. I'm just curious if your thinking on that front has changed?

**Steve Voskuil**

Yes. I'd say our thinking hasn't changed. We still see a path to earnings growth next year even with tariffs as we currently understand. Now I will say in the next breath that path is narrower, it's more challenging and it's going to point to the importance of the mitigation, the actions that we're going to take as we get further into this year. But we still see a path to earnings growth next year in that balanced growth formula in that sense.

**Andrew Lazar**

Got it. Got it. Okay. Thank you for that.

I know your pricing actions this year have been a bit more nuanced, right, in an effort to sort of gain some incremental shelf placements. Maybe especially in the instant consumable space. I'm curious if you're seeing any benefits there as of yet. How should we think about the progress you expect on market share as a result of that, specifically in CMG in the coming quarters? Thank you.

**Michele Buck**

Sure. Andrew, thanks for the question. I guess a couple of components of that. First of all, if we think about instant consumables, we have seen already some improvements in trips in C-stores. January and February were the worst months, then we started to see a little bit of moderation. In April, we started to see some green shoots on our instant consumable business as we've started to see some signs of incremental merch placement that are having an impact. As we've said, more of that to come as we approach the back half of the year.

We have visibility to some incremental programming as we look forward into the summer and fall. And we also, of course, know that we have a very strong, robust innovation that will really help to drive the business.

So while we haven't built into our numbers any other further potential upside, we do think as the consumer continues to be more pressured and air travel pulls back, we will likely see some increase in car travel, which could benefit C-store, but we haven't built that in.

As we look at market share, we're very pleased with where we are on a year-to-date basis. We had anticipated all along that Q1 will be a little bit softer, Q2 stronger given the shift of Easter. We're really pleased that our year-to-date share is now positive as we've captured that positivity of the later Easter, and we continue to expect share to be neutral to up in the second half driven by our continued outperformance in sweets where we're really pleased with the momentum we've got there. Our business was up 10%, up 100 basis points in share. Then we've seen continued strength in Seasons and we anticipate continued improvement in the trends in chocolate and refreshment given the programming to come.

**Andrew Lazar**

Thanks so much.

**Operator**

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

**Max Gumport**

Hey, thanks for the question. There might be some rounding involved with this question. But at the midpoint, your guidance seems to imply that pre-considering tariffs, your expectation for EBIT has gone up modestly. If that's correct, just any factors you're seeing that have made you a bit more optimistic on the base business, or really, is there just some rounding going on in terms of what we might be seeing in the guidance? Thanks very much.

**Steve Voskuil**

Yes. Thanks for the question, Max. It is really rounding. Fundamentally, we're still aligned with the outlook for (inaudible).

**Max Gumport**

Great. Then on the U.S. consumer and snacking pressure in particular, the prepared remarks had comments about the softening consumer sentiment and value-seeking behaviors you are seeing. It sounds like that's really what you would attribute the weakness in snacking that we're currently seeing. But I'm wondering if you're also seeing any impact from changing consumer preferences and healthier eating. I think those are the types of dynamics that have helped inform some of your recent M&A actions, so I'd be curious to get more color on what you're seeing on that front. Thanks very much.

**Michele Buck**

Yes. Let me start by saying, yes, overall, certainly, we're seeing a weak consumer, consumer confidence down. Fortunately, we aren't really seeing that impact show up in our categories. CMG has held up incredibly well. Part of that is, of course, chocolate in particular plays a very important emotional role in people's lives, the connectivity they have to the brand, especially in troubled times, and especially in our Seasons business.

As we look at salty, certainly, the business has held up really well relative to it being premium and permissible. We've also been really very pleased to see that elasticities have held up really well in the category. On a year-to-date basis, everyday chocolate pricing is up 8%, volume is down 4.5%. We think that's really another good indicator of the category holding up incredibly well.

**Max Gumport**

Great. Thanks very much. I'll pass it on.

**Operator**

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

**David Palmer**

Thanks. Good morning. It looks like seasonal chocolate is going to be strong in the first half, as you had expected. I wonder, it looks like you have bigger plans for everyday chocolate heading into the second half. I think you mentioned that you expect improvement there. Do you think you can get to growth in your nonseasonal chocolate business in the second half?

**Michele Buck**

Yes. We are feeling good based on the plans that we have that, that is going to come through. We've mentioned before very strong innovation that we haven't yet announced in the back half of the year that we think is going to be certainly a key driver. We have and are expecting low single-digit growth in everyday CMG.

**David Palmer**

That's great. Then on non-chocolate or sweets, you're doing really well there. I'm sure maybe now you wish you were bigger in that category at this very moment, but I wonder how you're thinking about that strategically. Is that category having a moment with perhaps some new forms out there really driving growth for you and you're gaining a lot of share? Or maybe do you think this is a platform that has legs long term? This isn't just a moment where you're getting some hits with forms, but rather this is a category that should outperform chocolate over the long term. And I'll pass it on.

**Michele Buck**

Yes. I absolutely believe that this is not just a moment in time on Sweets. It has long-term growth potential. Some of what we're seeing is a strong interest in consumers and in their palates for these types of products. Some components of that are generational and demographic as we see younger consumers and also young, diverse families being big consumers of this segment. I think we've also seen in this segment the power of great innovation and really creating growth, whether it's the new brands that we put in the marketplace like Shaq, new forms like JR Ropes or Freeze Dried, and we have further plans to continue to grow and innovate there.

**David Palmer**

Thank you.

**Operator**

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

**Robert Moskow**

Hi. Thanks. I saw the news about the ribbon-cutting at the Reese's chocolate processing facility and I know that you're now at the tail end of your billion-dollar expansion plan for chocolate expanding capacity. But Michele, with cocoa futures really stubbornly high and a weaker consumer environment, I would imagine the volume outlook for chocolate must be lower than what was originally expected a few years ago when the capacity expansion started. Forgive me if you've talked about this before, but if you and Steve could help us square those two things. If the plan was, say, to expand capacity on chocolate by 10% but volume has got to be lower than what you thought, how do you still make that capacity expansion work for you financially?

**Michele Buck**

Yes. This new plant really allows us to be much more agile and gives us flexibility across the network. What we are producing at this plant is chocolate paste, which gives us stronger control over our supply chain and more vertical integration.

We came into COVID capacity-constrained, and as you know, we had several periods of time where we weren't able to meet demand, especially in Seasons, and the billion-dollar investment really helped to get us caught up and we're already seeing that benefit show up in Seasons where our growth has been significantly higher because we've really been able to capture some of that and that's what's enabled us to gain share every season for the last eight. Also on rates, that's where we were most underdeveloped or unleveraged on capacity, we're now able to invest for even bigger innovation.

**Robert Moskow**

Okay. Thank you.

**Michele Buck**

Thanks.

**Operator**

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

**Jim Salera**

Michele and Steve, thanks for taking our question. I wanted to maybe drill down on something that we've been hearing recently from HHS and talking about potentially putting some restrictions on what people can buy with SNAP dollars. It's a two-part question. One, are you able to quantify what percentage of your sales are purchased with SNAP dollars? Then do you have a sense for how wide-ranging some of those restrictions might be? Because it seems like the administration's focus is really around artificial ingredients or highly processed food. If I just think about the ingredients in a Hershey's Kiss or a milk chocolate bar, there really aren't that many, and so while it might fall under candy, it might still be included given that it's basically natural. Just any thoughts on there and if you could quantify what the potential impact of that might be. Thank you.

**Michele Buck**

Yes, absolutely. First of all, we're watching how the implementation plays out to get full clarity on exactly how it will work, but based on our current understanding, we don't anticipate a material impact to our business.

First of all, we don't overindex to SNAP relative to the category of food in general. In fact, only about 2% of SNAP purchases are candy, which is well below many other categories like soda, salty snacks, desserts. So, we see pretty similar buying patterns between SNAP and non-SNAP households, and certainly in salty our portfolio is premium and permissible so we don't anticipate that while the overall category may have an impact, we don't think that that will impact us.

As it relates to your question around natural ingredients, kind of the Maha components of all of this, our highest priority is always around safety and quality of our products. We proactively try to stay ahead of where regulation might be headed, and we've been ahead of some of the changes that have been needed like propylparaben banned in California; we were ahead of Red Dye No. 3. So we've had work underway on natural coloring for quite some time.

Chocolate should be less impacted, you're correct. If you look at the ingredient labels, a lot of our products really are pretty simple, natural ingredients. Some of the areas that might be impacted by this are mostly in the Sweets portfolio.

**Jim Salera**

Okay. Great. Then maybe just as a follow-up to that, in your conversations with your retail partners, do you get a sense that when they're putting together the planograms that they kind of have an eye towards maybe favoring products that would broadly fall under kind of snack food, but have less exposure to artificial ingredients or things like that? Could that potentially be a benefit as we think about shelf resets as we move into the back half of the year?

**Michele Buck**

Again, I think it could be. I think they're always going to look at what's going to have the highest velocity and make themselves as productive as possible. Perhaps some of it could be can every manufacturer move as quickly as needed to be on top of the changes, but they will always focus on what consumers want. We know that the importance of focusing on health and wellness and functionality as well as the value of indulgence will continue.

**Jim Salera**

Great. I'll hop back in queue. Thank you.

**Operator**

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

**Peter Galbo**

Good morning, Michele and Steve. Thanks for the question. I just wanted to circle back actually on Ken Goldman's initial question around kind of the tariff thinking. Michele, maybe just even from reading in the

prepared remarks, it reads to me like maybe there was a big internal debate as to whether to include the impact of tariffs for full year in the guidance versus just for 2Q. Just maybe help us understand the thinking a bit more around what the internal discussion was on just 2Q versus the full year and kind of how you came to this conclusion, relative maybe to some of your peers who have put it in for the full year.

**Michele Buck**

I wouldn't say that we had—we certainly had discussions, but I wouldn't say we had massive internal debate. Steve, maybe you want to talk about it a little bit more?

**Steve Voskuil**

Yes. No big debate. Peers have done a lot of different things, so there isn't one formula for how this has been handled. I think the challenge is in discussing, A, we always want to be transparent and so that goes to the answer to Ken's question around visibility, to everything we know at the moment knowing that it's subject to still a lot of change, particularly on this front.

The second piece was the mitigation activity. It's one thing to talk about an unmitigated tariff impact; it's another talk about fully—work with our mitigation actions in-year and contributing. Without those two pieces matched up, it's sort part of the story. We want to give you the pieces as best as we know them and as we get to the mid-year mark, we'll talk more about that mitigation and probably have a better view of the net impact as we go forward. Then, in the meantime, hopefully some legislative action will make that unmitigated impact fall lower.

**Peter Galbo**

Got it. Okay. That's helpful.

Steve, I think in your prepared remarks there's are some moving pieces just as we try and think about revenue phasing, maybe more so in the back half of the year, but I think if I read it correctly, snacks kind of on an unimpacted basis exited at a pretty healthy rate. I know there's some wonkiness in the comps on confectionery in 2Q, but maybe you can just help us on the revenue phasing in the back half of the year. Thanks very much.

**Steve Voskuil**

(Inaudible). I don't think there's anything surprising in the back half of the year relative to the profile on the top line.

**Anoori Naughton**

Yes. It should be in line with the long term of 2% to 4% across the quarters in the third and fourth quarter, and in line relatively across the segment as well.

**Peter Galbo**

Okay. Thanks very much.

**Steve Voskuil**

Thank you.

**Operator**

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

**Alexia Howard**

Good morning everyone.

**Steve Voskuil**

Good morning.

**Michele Buck**

Good morning.

**Alexia Howard**

Hi. Can I ask first of all about the more precise timing of this big innovation in Reese's in the fold? When is that due to happen? You mentioned that you expect it to be the biggest innovation ever on the brand. That's a pretty big statement. You probably can't tell us what the innovation is, but what is it that gives you confidence that it might be the biggest innovation ever for that brand?

**Michele Buck**

Well, we are consistently innovating and investing in our iconic brands, specifically to give consumers what they're asking for. Sometimes they know what they want; other times, we're trying to provide some things that we think they will want. But this innovation is something that they've been asking more for, for quite a long time. Based on all of our early planning around that, all of the research that we've done, that gives us a pretty good feel for size of innovation. That's what gives us the confidence relative to the size.

Relative to timing, stay tuned. It will be hitting in the fall and we're really anxious for all of you to (inaudible) and try it.

**Alexia Howard**

Great. Thank you. Then just a follow-up on the additives question. I know, for example, you have Red No. 40 in Twizzlers still. Can you quantify what proportion of your overall sales still have additives in them that would be on the list that's going to be, I guess, banned in 2027?

**Michele Buck**

Yes. It's largely going to be our Sweets portfolio, some refreshments, and then anything else that's coated chocolate. If you think about Cadbury Eggs, for example, fall into that bucket. That should give you a feel for the size.

Then relative to the ingredients, obviously, it's a relatively small total percent of our ingredient cost. But we feel good about our ability to be compliant based on all of the work that we have underway already.

**Alexia Howard**

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

**Operator**

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

**Michael Lavery**

Thank you. Good morning.

**Steve Voskuil**

Good morning.

**Michael Lavery**

As you talked about readying some of the options, just at least contingency or hypothetical planning for 2026, you called out pricing, price pack architecture, demand shaping and sourcing strategies. The price pack architecture and pricing are fairly straightforward. Can you just maybe give a sense of what some of the demand shaping and sourcing strategy changes might look like?

**Michele Buck**

Yes, certainly. We really think about some of the mix opportunities. As we're looking at demand shaping, (inaudible) inflation of cocoa, certainly we have options across our portfolio in Sweets, in Salty, in parts of the portfolio that are less cocoa intensive. Those are some places that we focus.

From a sourcing perspective, we are already doing work in that area. For competitive reasons, we don't want to get in too much detail in that area, but we have options in terms of how we source that also help us to gain advantage in price, basically generate (inaudible).

**Michael Lavery**

Yes. Okay. That's helpful. Just on salty snacks, you've announced the LesserEvil deal that would add a little bit to your scale. In the commentary after the Mars-Kellanova deal was announced, the Mars CEO appointed to one of the benefits being diluting their exposure to cocoa by adding a large salty snacks portfolio. That's from a company that also already has a pet food business. It would seem like some of that logic could apply to your case as well. Do you have sort of any scale ambitions, maybe almost for their own stake in salty? I know you laid out some of your M&A criteria at CAGNY that touched at least a little bit on that, but how do you think about just how that business might evolve?

**Michele Buck**

Sure. This really goes back to back in 2017 when we laid out our vision to be a snacking powerhouse, and really what that was all about is how do we really leverage our core capabilities to maximize incremental—get to incremental consumers and incremental snacking occasions. We do that really by leveraging white spaces that we think are on trend with consumers.

We have a large chocolate business. We love our chocolate business and we want to continue to grow that, but we also know that if we get into white spaces like sweets, better-for-you and salty, it adds incremental consumers and occasions. That's really the role and what it plays. Certainly within that, as

we've said, we're always looking for really great brands that we think can be sustainable and grow over time that are high margin and high growth. We feel really good that we have a good track record of finding those, given the scale that we've achieved with SkinnyPop, with Dot's, and we like that LesserEvil specifically is very focused on new benefits, ingredient-focused snackers, and it extends our reach with younger, more diverse demographics, especially young families, which opens up a whole new range of opportunity for us. We see it being a better-for-you platform that can really be extended and scaled across categories and forms.

**Michael Lavery**

Okay. Great. Thanks so much.

**Operator**

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

**Megan Clapp**

Hey, good morning. Thanks for squeezing me in. I guess if we were to put tariffs aside—maybe a follow-up to Andrew's question earlier in 2026—I just maybe wanted to take your pulse on whether or not if we put tariffs aside, you would have felt better about the ability to grow EPS next year. I guess I ask because in the prepared remarks, cocoa is still high but it has retreated and it doesn't seem like your stance on the outlook for cocoa prices has changed at all. Then Michele, I think you did mention elasticities have been a lot better than the minus 1 you were assuming in the guide. So if we were to put tariffs aside—again, I know it's challenging and who knows what will happen—but I guess in the base business, do you feel better about the ability to grow earnings in the base business absent tariffs?

**Steve Voskuil**

It definitely feels better without tariffs, so I'll say that unequivocally. Do we still see a path though and feel a level of confidence about a path to earnings growth if we take tariffs to the side with the base business? I think, yes, based on where cocoa prices are today. And again, that's going to require some aggressive action that, as Michele said earlier, those actions are teed up. We'll talk more about that as we get further into the year. But from a base business standpoint our view hasn't changed for '26 that much.

**Megan Clapp**

Okay. That's helpful. Thanks. Then maybe just a quick follow-up. As it relates to tariffs, the \$100 million that you cited unmitigated, does that assume for cocoa in particular, does that assume we stay at that 10% paused tariff rate for some of the countries who were a bit higher initially? Can you just clarify whether that would assume we stay at the 10% rate?

**Steve Voskuil**

Yes, it does.

**Megan Clapp**

Okay. Great. Thank you so much.

**Steve Voskuil**

Thank you.

**Operator**

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

**Tom Palmer**

Morning, guys. Thanks for the question. Steve, if I heard right, I think when you were answering Ken's question about tariffs you noted that two thirds of the exposure is cocoa in Canada. Maybe just some color on the other areas where you would see impact and to what extent you think there could be, I guess, exemptions or whatnot for those types of items? Because it sounded like the exemption discussion was more around cocoa and perhaps Canada. Thanks.

**Steve Voskuil**

Yes. You bet. We have other raw material inputs that are imported aside from cocoa. China for us is not huge, but China is still in that calculation as well. Those by comparison to cocoa and Canada are meaningful, but so much smaller. So I'd say we're looking at exemptions everywhere we can, but focusing on the most impactful pieces first. But we do have raw materials that come from other countries as well that also still have some tariffs impact. They're not off the table for mitigation; it's just we're looking first where the biggest impact is.

**Tom Palmer**

Great. Thanks for that. In salty snacks, there was in the prepared remarks a note about a 5% to 6% volume headwind from fewer shipping days and also a planned reduction in private label. I don't think that private label commentary had been in previous. Is this a new headwind to think about in 2025? Just any framing of the impact, just given the shipping day timing, it seems like this could be maybe approaching a mid-single-digit headwind, at least in 1Q. Thanks.

**Steve Voskuil**

We do some private label manufacturing in the popcorn space, but it's sort of subject to what we're doing in SkinnyPop in the branded business. So to the extent that business—and it did for the first quarter—it continues to grow strongly. Then by design, we do less private label and redirect that manufacturing towards our branded product. Salty is part of the longer-term strategy as that business grows, so it's a headwind of a sort, but it's also a reflection of the core salty business growing.

**Tom Palmer**

Okay. Thank you.

**Operator**

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

**Leah Jordan**

Good morning and thank you for fitting me in. I just wanted to ask about international as it came in ahead of your expectations. When we talked last quarter, it seemed like that competition was increasing in several regions, and we had heard recently that not all players were passing along costs. Just seeing if you could provide an update on the competitive environment there and has anything notably changed.

**Michele Buck**

Yes. As we looked at our business, certainly, we've seen strong growth on Reese's, which has been a key investment for us in those international markets. We're seeing strength on media activation and distribution wins in particular. We also saw strong organic sales growth in Brazil where we were up double digits behind a strong Easter and innovation. The competitive environment there really did tend to normalize, so it's certainly still very competitive. But it normalized, it didn't get worse, and so I think that helped some of the strengths that we've seen in some of the markets. We also just performed really well. We had share gains in India, in Brazil and on our Mexico spicy business.

**Leah Jordan**

Great. Thank you. Just one follow-up. In the prepared remarks, you also noted that you're not planning any buybacks for this year. I know it's very dynamic; we've talked about a number of things around tariffs and your mitigation efforts. But should the year play out better than expected and the tariff headwind goes away, what's your appetite for reengaging on buybacks versus other investments in the business as you think about capital allocation this year?

**Steve Voskuil**

Sure. Buybacks remains in our capital allocation philosophy. I'd say it's good because it puts tension on all of the other choices. So from a long-term capital allocation strategy, no change in terms of the role it plays.

In the near term, M&A is episodic. We have opportunities when they come up; it's not always that frequent. And so this year, we've put the focus on that. But going forward, as we look more broadly long-term, share repurchase will continue to play a role.

If I can go back, just to mention Tom's question on private label, I said SkinnyPop capacity, but it's actually Dot's capacity in pretzels that we're talking about there. My apologies.

**Michele Buck**

Yes. That's enabling the private label deprioritization.

**Steve Voskuil**

That's right.

**Operator**

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

**Chris Carey**

Hi. Good morning everyone. I wanted to ask about the efforts that you're making on reformulation and price pack architecture, which certainly seem interesting. Can you expand a bit? Maybe give us some early

insights on the evolution of your thinking over the past few months. What's worked, what hasn't? And perhaps maybe give some insight on where you think you can perhaps gain some advantages out of this. Maybe price pack architecture allows you to offer more value and drive some more consumption. Maybe there's ingredient changes you can make to capitalize on new trends? Really just looking for a bit more insight on successes you've seen and where you expect to press on reformulation. Also, just again, from a more proactive perspective, how can this turn into a bit of an advantage for you potentially?

**Michele Buck**

Yes. We have price pack architecture actually going into the market now, so we're continuing to work on board, but I don't want to give the impression that that hasn't been a lever that we've already pulled. I think one of the benefits of price pack architecture, as you mentioned, is it's not a direct price point increase, but rather it's kind of a combination of sizing and price, which can tend to offer perhaps a better value perception for consumers. I think that's always an opportunity, if done well, and we always try and balance how much of our price realization should come from that lever versus a straight price increase. That was really as part of our earlier August '24 pricing announcement that we did some PPA. We'll share more about our future plans—our full plans going forward.

As we think about, I guess, the competitive advantage component, the investments we've made in our supply chain really do enable us to have a lot of agility and flexibility, both in terms of being able to execute PPA, which involves sometimes the changes in packaging and being able to efficiently do that. Also it lets us really look at the formulations to make sure that we're providing the highest quality products at the best cost possible. So that would be a competitive advantage, using our R&D folks, our supply chain to make sure that we can really deliver those reformulations, get them in the market as quickly as possible, and do them incredibly well to continue to satisfy consumer demand.

**Chris Carey**

One quick follow-up would be just around the evolution of your thought process on mitigation tools. As you noted, there was probably a bit more focus on RGM, revenue growth management and other mitigating factors. But as cocoa has lingered, how does pricing come into the equation? Has there been any evolution in your thinking of how large the sorts of tools that you'll need to kind of mitigate this over the next 18 months have become? Just any evolution of thought process there over the past few months would also be helpful. Thank you.

**Michele Buck**

I guess I'd start by saying from the very beginning we have taken a holistic approach, as evidenced by the transformation program that we put in place, which was really about attacking costs. We did some of that already over these past couple of years. We did take pricing, but we also did take a measured approach to balance the short and the long term. We didn't want to overprice if cocoa were to take a massive retreat, but for us it's never been a concern about inability to price. We've always had confidence in that. It's just kind of wanting to balance that short- and long-term component to top and bottom line across the P&L.

We're encouraged that we've seen some retreat of cocoa, but clearly, cocoa hasn't retreated as much as we would all like. So at this point, we're ready to activate even more of the levers that we've been doing work against and have had underway, and we look forward to sharing more about that over the summer.

**Chris Carey**

Okay. Thank you.

**Operator**

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

**Scott Marks**

Hey, good morning. Thanks so much for fitting me in. My first question would be, based on commentary, it obviously sounds like you're expecting cocoa prices to either remain status quo, to remain elevated. Let's say, for instance, cocoa prices in the market do come down, whether it be next year or the year after. How would you think about reinvesting in the business to ensure long-term health of the chocolate category?

**Steve Voskuil**

Yes. Again, that's my dream come true, right? Cocoa prices come down sharply, and thus the choices that we have. We always invest behind our brands. We want to make sure that we're investing in capabilities, technology, the brands, relevant marketing and innovation. That hasn't been curtailed in this environment. And certainly, as we came out and when cocoa falls we'll revisit that to make sure we're doing our best to invest in those areas. But they haven't been short-changed either. Then we'll have the opportunity to deploy cash back to shareholders as we talked about earlier, have more opportunities for capital allocation. That's how we're thinking about it. We look forward to having that opportunity.

**Michele Buck**

Even with the cost-cutting we've done to date, we've done some of that with the lens of where can we get net savings, but at the same time be investing in technology and capability that let us emerge even stronger. So tools that let us be even more efficient in terms of how we're spending our investments in the business, in marketing and in trade, those types of things that both save money but also give us kind of a longer-term benefit. We look forward to those as well.

**Steve Voskuil**

Yes. All of that will allow us to emerge even stronger than we were when we came into the commodity pressures.

**Scott Marks**

Understood. Then second question from me, you've spoken a bit about some of the C-store trends. Wondering if you can just share anything on maybe performance or trends you're seeing across other channels as it relates to your categories? Thanks so much.

**Michele Buck**

Yes, I would say we're continuing to see a consumer focus on value that's showing up in areas like migration to club. Certainly, dollar continues to be really strong online because of the value that it offers. Depending on who the consumer is, all consumers are looking for value, each of them in different ways that best suit their specific needs, but we haven't really seen a significant change in some of those channel trends aside from the ups and downs that we see in C-store. I think take-home overall as a segment has, across the board, been quite strong with mid single-digit growth there.

**Scott Marks**

Got it. We'll pass it on. Thanks so much.

**Operator**

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

**Bingqing Zhu**

Hi, Michele and Steve. Thanks for taking my question. I have a question about the competitive landscape in U.S. chocolate. I think in the previous, the quarter before, you mentioned the intensified competition from smaller players. Can you comment and provide more color on what you see in terms of the competitive situation in U.S. chocolate, both from a smaller player, private label and maybe even some premium players there, please? Then I have a follow-up. Thank you.

**Michele Buck**

Yes. I would say we haven't seen significant change in the competitive landscape versus what we have been tracking throughout the year. We had expected some increased competition. Certainly from the largest players in terms of innovation, we knew that there will be some of that coming. Smaller players in private label have been softening a little bit in terms of the momentum in the marketplace; they're certainly still out there. But in aggregate, there's been a little bit more internal sourcing across them.

Then certain brands like Feastables and Tony's have been a bit more stable, but then again, they're sourcing more amongst that set of smaller brands. We continue to track that over time, but overall, no significant changes that I would particularly highlight.

**Bingqing Zhu**

Okay. Thank you. Then a follow-up, if I can come back to pricing point, please, because your pricing in Q1 North America confectionery is 3%; that's lower than the market pricing. I think you quoted 8%. Obviously, you have the price pack architecture. But with the cocoa price pretty much locked in, in 2025 and from what you said elasticity a bit better or in line with your expectation, do you see the possibility of having further pricing to increase in the rest of the year to not only mitigate cocoa inflation, but potentially some tariff impact? Thank you.

**Michele Buck**

You will see pricing go up in Q2 and Q3 as more of our seasonal pricing and price pack architecture kicks in from announced pricing actions that we've already taken. Obviously, we can't talk about any future pricing intentions in advance, but we'll give you more color on both cocoa and tariffs and our holistic plans as we get into the summer.

**Bingqing Zhu**

Okay. Thank you, very helpful.

**Operator**

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

**Anoori Naughton**

Thank you everyone for joining us this morning. We look forward to catching up with many of you throughout the day. Thank you.

**Operator**

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