The Hershey Company

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Q&A Session

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Andrew Lazar, *Barclays*

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Bryan Spillane, *Bank of America Merrill Lynch*

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Alexia Howard, *Bernstein & Company*

Steve Powers, *Deutsche Bank*

Jonathan Feeney, *Consumer Edge*

PRESENTATION

Operator

Greetings. Welcome to The Hershey Company Third Quarter 2021 Question & Answer Session.

At this time, all participants are in a listen-only mode. As a reminder, this conference is being recorded.

I'd now like to turn this call over to you host Ms Melissa Poole, Vice President, Investor Relations for The Hershey Company.

Thank you. You may begin.

Melissa Poole

Good morning everyone. Thank you for joining us today for The Hershey Company's Third Quarter 2021 Earnings Q&A Session. I hope everyone has had the chance to read our press release and listen to our Pre-Recorded Management Discussion, both of which are available on our website. In addition, we have posted a transcript of the pre-recorded 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, including expectations and assumptions related to the impact of the COVID-19 pandemic. Actual results could differ materially from those projected as a result of the COVID-19 pandemic, as well as other factors. The Company undertakes no obligation to update these statements based on subsequent events. A detailed listing of such risk and uncertainties can be found in today's press release and the Company's SEC filings.

Finally, please note we may 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.

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

At this time we will be conducting a question and answer session.

Our first question comes from the line of Jason English with Goldman Sachs. You may proceed with your question.

Jason English

Good morning, folks. Thanks for slotting me in.

Michele Buck

Good morning.

Steve Voskuil

Good morning.

Jason English

Congrats on a strong quarter, particularly given the strength that you're cycling the prior year. But despite the strength, I can't help but remember that sugary snacks have lost some of their sweetness pre COVID with little, if any, volumetric growth. COVID has clearly rejuvenated demand. In your capacity expansion effort, it seems to suggest that you believe that demand is going to stick. My question for you is, why? Why shouldn't we believe that that demand isn't going to just leak back out in the next year or two?

Michele Buck

Yes, Jason. As we look at the growth that we've seen, the category growth has really been pretty broad-based. It's really cut across regions. It's cut across cohorts. As we speak with consumers, we hear that some of that elevation of those take-home behaviors and new routines that occurred during COVID, that some of those will stick and sustain. Perhaps not all of them, not to the degree to which people were suggested that they shouldn't leave their homes, but we do believe that some of those will stick and stay around based on what we're hearing and seeing, and we do also see some of that continued strength as people are out and about and mobility increases, and that we're seeing a pretty good balance there.

The other thing we've heard from consumers repeatedly that we've seen over the years is kind of the emotional aspect of the category and how it sits with kind of good and happy moments. As those happy moments have continued to increase, as people I think are starting to believe they see somewhat of a light at the end of the tunnel in us working through the pandemic, those moments of happiness that were really associated with we see continuing. That's really our perspective is a lot of those routines, we think some of which will just continue into the future.

That said, there are a lot of unknowns. We certainly none of us knew any of this was going to happen and so we can't perfectly predict the future.

As it comes to capacity investments, what we've tried to do is be really prudent in our investment strategy. We've leaned in in places on brands where we have clearly seen sustained growth over time and there's a lot of proof point that that capacity will pay off. Reese is a great example of that. Frankly, there are a couple of other places where we had elevated demand that we held for a bit before leaning into that capacity until we really thought we were at a point where we could guarantee the ROI. So, it is a bit of a balancing act, but at this point we are bullish on the future.

Jason English

That's helpful context, thank you. I too like happy moments.

One more question and then I'll pass it on. In your prepared remarks you touched on your (inaudible) and resulting acceleration growth for both you and your categories. Can you elaborate a bit on that? What's going on with the initiative and maybe provide some specifics on the changes that are being enacted by the retailers? Thank you. I'll pass it on then.

Michele Buck

I'm sorry. Can you just repeat the very first part of the question I missed?

Jason English

Your collaborative space planning in retailers…

Michele Buck

Oh, yes, yes, yes. Okay.

Jason English

You were talking about it in your prepared remarks. Give us more specifics. What is it? What's happening? What are the changes that are being enacted on the back end of it?

Michele Buck

Yes, absolutely.

I would say over time given that strong partnership we've had with retailers and particularly a lot of our category management expertise around analytics, we've always partnered with retailers in terms of how to think about the placement of confection in their store and ways to optimize category growth, whether that's looking at heat maps of how people travel through convenience stores, or years back when we found underutilized space under the checkout counter at convenience stores and we put category there. Recently, a lot of the focus from a retailer's—or there's been a big focus around the labor shortage and thus a push for even more presence of self-checkout, and so we've partnered really closely with those retailers to increase the presence of the category at self-checkout and to maximize the presence in those queueing lines leading up to checkout, and particularly self-checkout. I mean, it's a perfect fit with some of the struggles they're having around labor and a great opportunity to get the category out there and make sure that people don't miss that chance to have that last impulse purchase.

I think our retailers are always focused on what's going on in the environment that they need to address in terms of their store layout, and fortunately, we've been able to help them with some of that.

Jason English

Makes a lot of sense. Thank you.

Operator

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

Andrew Lazar

Great. Thanks so much. Maybe just first off I was hoping you could talk a little bit about what you were seeing in terms of competitive response with respect to the pricing moves that you've announced and how that impacts your expectations on elasticity, because obviously thus far, while early, it would seem like volume trends have held up remarkably well in response to the pricing that you've taken.

Michele Buck

Sure. As we have always seen in this category, it tends to be a very rational category relative to pricing. Our most recent pricing actions are on track and we have seen several competitors taking pricing actions this year, including over the past several weeks, and we don't really expect that we'll see any material changes in pricing on shelf versus competition, any changes in gap, etc.

Andrew Lazar

Great. Then I guess more to Steve, I certainly understand all the moving parts on the supply chain right now, which makes getting overly specific on '22 certainly a bit of a challenge, but if we take it from the top line, consumption trends remain very elevated, Hershey's got more pricing coming through, and it's had inventories depleted for really what will be, I guess, two years in a row. I would think all these things provide a reasonably good line of sight to at least kind of an on-algorithm type of year, at least on sales in ’22. Again, unless I’m sort of missing something and please point it out if I am.

On the profitability side next year, obviously you’ve already talked about—and I understand there will be supply chain pressures, at least through the first half of the year. I guess my question is, would you expect that year-over-year gross margin pressure to sort of sequentially improve as you move through the first half? As sort of the pricing flows through and you make improvements to the supply chain, or are gross margin pressures potentially expected to be as, let’s say severe, in the first half as maybe what you’re seeing in the back half of this year?

Steve Voskuil

Sure. Maybe I’ll just start with the top line, as you started.

I think you’re right. As we look at it today it’s hard to point to something that would say you don’t have an on-algorithm top line, you don’t have momentum. Coming out of this year we’ve got a long Easter, you mentioned pricing which will be a bigger factor this year than it was this year. We also would hope we’d see some capacity improvements would give us some upside. Then at some point inventory replenishment, I think that’s hard to call, but we would expect to see some of that, certainly over the course of next year. So, still volatile but I agree with the first premise.

Then, as you get into gross margin, I think there still are a lot of moving pieces. Some of the things I think we can directionally point to, obviously the pricing will have a tailwind on gross margin. As we look at raw materials, raw material inflation wasn’t a big factor for us this year; we expect it will be a bigger factor as we look at next year. Logistics inflation that we’re seeing now, I don’t think we see a reason yet for that to break, at least through the first half of next year. We’ll have less spot market activity because some of the—we’ll be better positioned for some of the stronger consumer demand than we were, particularly in the third quarter. We still expect to see some labor inflation and as we said in the prepared remarks, we’ve increased headcount to respond to some of the additional demand.

Packaging inflation and resins, I think we keep waiting for that to break and it’s probably moderated but it hasn’t reverted back to other levels or lower levels, so I think at least through the first half we’re going to see that still remain a pressure point.

Then we’ll see how capacity plays out in the broader supply chain network, you know, the challenges we’ve had with logistics and trucks and warehousing and all of those labor implications.

When you step back from all of that, I’d say the gross margin piece still has a lot of moving pieces and I think we’ll give more clarity obviously when we get to February and provide full guidance, but right now I’d say particularly through the first half of the year we’re going to see a lot of those cost pressures in place.

Andrew Lazar

Great. Thanks so much.

Operator

Our next question comes from the line of Robert Moskow with Credit Suisse. You may proceed with your questions.

Robert Moskow

Hi. Michele, I wanted to ask about the decision to reduce advertising for the year. I guess it makes sense in the context of supply chain challenges and if you can't get the inventory where you want, why advertise? The stock has done well and your sales have done well because of the market share gains, and I just wanted to know if you think there's risk to market share erosion from this decision. Do you think your competitors are doing the same thing, so it won't matter? How did you evaluate the risk and reward of that?

Michele Buck

First of all I would say there is not a strategic change to our business model. We remain committed to investing in brands at some of the highest levels in our industry, across the peer group. There's nothing that has changed about the strategy, so I wanted to be clear about that.

As we looked at the decision, it really was driven by the fact that we've such elevated demand and given that the supply chain challenges just wouldn't enable us to be able to meet the further demand that we would create through our very impactful advertising, that it just didn't make sense. It put more pressure on the supply chain, and also we probably wouldn't get a good ROI because we wouldn't be able to fulfill that incremental demand.

If we look at our market share right now, we don't think that the advertising cuts that we have executed impacted our share in Q3, and we're not the only ones having supply chain challenges and issues. Overall, I think across the board even in the industry, we're seeing a lot of people manage advertising to supply as a challenge. We'll continue to focus on optimizing it. We will invest as much as we can, as much as we think we can sell. Certainly we're investing in capacity going forward and we are very agile in how we're handling support behind our brands.

Robert Moskow

Okay. Can you give us any update on Halloween? Will Halloween just kind of blow right through inventory, or were you also challenged to fulfill demand for Halloween, just like other products?

Michele Buck

Yes, so it is a very strong Halloween season, the biggest that we've ever had, with very strong double-digit growth on top of the strength that we had last year. We have done our very best to get as much product out there as possible. Certainly I would say supply pressures hit every aspect of the business, so Halloween season would be a piece of that, but we are really excited about the growth that we've seen year-to-date, both in the category as well as on our own business. Seeing lots of very picked over shelves out there as I'm out in stores. It's going to be a good trick or treat base and everything we've heard from consumers as well as people really flock back to that behavior.

Robert Moskow

Okay. Thank you very much.

Operator

Our next question comes from the line of Ken Goldman with JPMorgan. You may proceed with your question.

Ken Goldman

Hi. Thanks so much.

I wanted to start by asking about your perception of your labor relations right now. We've had a couple of strikes, obviously, in the food at home industry, so I'm just curious for any updates, how you see the risks there and so forth.

Michele Buck

Absolutely. We are very focused on our labor and that first and foremost I would just want to again publicly acknowledge and thank our manufacturing employees. We have folks in our plants who have been with the Company for 20, 30, 40 years and it's really their focus, their dedication from the very beginning that has enabled us to demonstrate and deliver the growth that we've been able to during this very dynamic environment.

We have very long focused and believed and operated in a way that we believe we are the best advocates for the needs of our people. We are in constant communication with our employees and we're really focused on our total employee value proposition with those employees. We know that we have highly competitive wage rates, we have excellent benefits and we routinely benchmark all of that, but we're also very focused on the softer factors that are very important to our employees, and that includes especially during these times of global supply chain challenge work/life balance, stress management, flexibility in hours, being able to get time off. We have enacted a lot of strategies to really try and help with that. We have an always on recruiting approach and we have really amplified our recruiting efforts this year to be able to successfully manage through the challenges and increase our net headcount.

We've also leveraged analytics to, as I said, understand some of the things most important to our workforce. We're very focused on that. We are very focused on prioritizing the needs of that group and continuing to look at ways that we can optimize the situation in terms of supply and demand. So, we feel pretty good about that.

Ken Goldman

Great. Thank you for that.

Then a quick one for Steve. Steve, year-to-date your Corporate Other Expense line has been up fairly meaningfully from both 2020 and 2019. I realize that grows somewhat in line with sales. But I'm just curious how we should think about sort of what an ongoing annual number for that Corporate line is, especially as we think about modeling 2022. Are there any potential one-time headwinds we should be thinking about that maybe go away next year? Or is this kind of a good run rate to think about?

Steve Voskuil

You'll see incentive compensation is one of the big pieces in there and as we turn the page to next year that will be one item that resets. Otherwise, there's not as much change. We talk about this year we had some planned investments in ERP and Digital. We'll have some of those kinds of investments I expect next year. We also had a little bit heavier medical claims and benefits impacts this year coming off of COVID, so that may or may not continue next year, but probably the incentive reset will be the biggest year-over-year change as we start the next year.

Ken Goldman

Thank you.

Operator

Our next question comes from the line of Bryan Spillane with Bank of America. You may proceed with your question.

Bryan Spillane

Hi. Good morning everybody.

Michele Buck

Good morning.

Bryan Spillane

Maybe just to tie one more up on ’22, and I guess, Steve, just below the operating profit line, this year there has been some benefit from interest expense being lower and so I guess my question is just we’re looking in the next year and we’re just looking at our models below the operating profit line. Is there anything that we should be thinking about in terms of puts and takes there?

Steve Voskuil

Nothing major. I think if I was to look at, you know, tax this year has been lumpy, but if I look at where we sort of set the final guidance for the year from a tax standpoint and I look to next year, I’d expect a relatively similar level for next year. We had some one-timers this year that will not recur next year. We talked about it in the second quarter and to some extent this quarter as well. If I kind of take those out and I would look at the finishing tax position, I’d see that the same.

Interest expense, I don’t expect a lot of change, probably flat year-over-year. I hope that helps. Not much movement year-over-year, other than the one-timers.

Bryan Spillane

That’s helpful.

Then just a follow-up on the capacity expansion. I guess two questions related to that. One is what type of investment is it? Meaning is it physical—like, actual physical product production lines, or is it investment in further down the manufacturing like packaging capacity or? Just trying to get a sense of actually what type of capacity you’re adding.

Michele Buck

We’re adding capacity on both, both in terms of production—product production as well as packaging, across multiple brands. I think we spoke before about building our agile fulfillment center. That is up and coming online, so it’s really across the board.

Bryan Spillane

If we're thinking about, or if you could give us a sense of with the capacity now that you're planning to add, just where you stand now in terms of capacity utilization or available capacity. I guess what's underneath my question is we've been sort of adding incrementally to Capex over the last couple of years and just trying to get an understanding of whether we're going to stay in this elevated cycle for while, or are we getting to the point where you feel like you're going to have enough flexibility in capacity?

Michele Buck

I would start by saying capacity utilization varies by brand and piece of the business. Each brand is in a slightly different position. We certainly have invested several hundred million dollars to install at least nine new lines since the pandemic began, and we do have more planned for '23 and for '24.

Steve, do you want to talk a little bit more about where we are on that total investment?

Steve Voskuil

Yes. If you look back really the last two years and this year, we have done a lot of infrastructure spending. We talked about the agile fulfillment center. We've got a Canadian DC that's in process, and of course the ERP transformation which is a big component as well. Now, I'd say we have to finish those projects but are pivoting more towards the capacity side. I think, like we talked about, machines, packaging. So far we haven't had the need to build buildings and infrastructure of that sort, but as we look at the total, next year, as we talked about, it will be a slight increase versus this year from a Capex standpoint, really due to project timing this year more than anything else. Then as we look further, we'll give more guidance on that as we get into next year.

Bryan Spillane

Okay, thanks. I'll leave it there. Thanks everyone.

Operator

Our next question comes from the line of Nick Modi with RBC Capital Markets. You may proceed with your question.

Nick Modi

Thank you. Good morning everyone.

Michele, I wanted to ask about market share, if you could just give us some context. Obviously I think a big question has been how much of the share gains Hershey has had over the last 12 to 18 months and how much of that will stick. It looks like quite a bit is sticking, so can you just talk about where you see the most stickiness, where things have retrenched? Obviously discussions are taking place now about 2022 shelf allocation. Just wanted to get some of your early thoughts on how you think you'll progress there.

Michele Buck

Yes, sure. Since the pandemic, we have been able to hold on to about 50% of the market share gains that we had realized. We see certain areas of the business where those numbers are very strong. Seasons, in particular, as we mentioned in our remarks, we had gained 500 basis points and we held onto about 75% of that. Take home also has been very strong in terms of our retention. So, we're pleased with what we've been able to hold onto, and as we continue to unlock more capacity and reinstate some of that advertising, we believe that we'll see some continued strength going forward.

Nick Modi

Just a follow-up on assortment because I know that's been a big area that retailers have been focused on given all the supply chain challenges. As you engage with retailers regarding space with some of your initiatives, how are you guys thinking about your overall assortment on the shelf?

Michele Buck

I would say, we know that assortment bags are really big sellers with consumers and there's been a trend towards that, particularly during the seasons and especially during Halloween. We have definitely seen that part of the category tick up relative to assortment bags.

If I look broadly at assortments and what is on the shelf, what we've been trying to do is to optimize our portfolio of SKUs for right now based on what consumer demand is, where the demand is, and availability of capacity. We've really prioritized a lot of our core items that—the core of the core of the core items, which are the highest velocity item. Even to the point where we're focusing in some places on shelves you will see double-facing of those items as opposed to the presence of perhaps some second or third tier items. We've spent a lot of time on this, and we think we've taken a really smart approach that has enabled us to generate that very positive demand and at the same time maximize the available output that we have on capacity and on supply.

Nick Modi

Excellent. Thank you. I'll pass it on.

Operator

Our next question comes from the line of Michael Lavery with Piper Sandler. You may proceed with your question.

Michael Lavery

Good morning. Thank you.

Steve Voskuil

Good morning.

Michele Buck

Good morning.

Michael Lavery

Just wanted to come back to the trajectory of capacity relief. I know you've quantified the deload hit for this year. Just in terms of at least how you're planning for it, assuming that's all set for next year, can you give us sense of how you expect that to unfold and just how soon you can start to see a relief and reloading of retailer inventories?

Michele Buck

Steve, do you want to talk about that?

Steve Voskuil

Yes. I think it's hard to call exactly how that's going to phase over next year. As we've talked about in the prepared remarks, we've got capacity that's come online this year, we've got more coming online next year. I think between consumer demand and our capacity coming online, it's going to be a challenge to kind of quarterly profile that. We'll share more in February; I will have a lot better picture at that point.

Michael Lavery

Is the issue more the production lines or the labor, or is it both?

Steve Voskuil

It's a bit of both. Labor only from availability. Like everyone, we've done a lot of hiring this year. We talked about it again in the prepared remarks; we've increased headcount but we've also seen more attrition than we've had in the past. There's a labor component but there's also a machine capacity component.

Michele Buck

I'd also say there has been a logistics and shipping component as well, although we've been able to take some actions and have seen some improvement on that.

Steve Voskuil

Sure.

Michael Lavery

Okay. Thanks. You mentioned in the prepared remarks about the strength in unmeasured channels and just how your total sell-through is stronger than what we see in the measured channels. Can you give a sense of if there's any certain products or channels in particular driving that, and just how sustainable it might be?

Michele Buck

Yes. We're seeing it be up versus the prepandemic levels, and I think over two years it's relatively in line with what we would call as normal. Low single-digit growth is kind of what you should be thinking there.

Michael Lavery

Okay. Thanks a lot.

Operator

Our next question comes from the line of Alexia Howard with Bernstein. You may proceed with your question.

Alexia Howard

Good morning everyone.

Michele Buck

Good morning.

Steve Voskuil

Good morning.

Alexia Howard

Two questions from me. Firstly, you mentioned in the prepared remarks that some of the emerging markets are still holding up well. I wonder if you could give us a quick tour of India, Brazil, and Mexico. How large are they collectively and what are the main initiatives in those areas? Then I have a follow-up.

Steve Voskuil

Yes, I'll be happy to...

Michele Buck

Steve, do you want to talk about the size and… ?

Steve Voskuil

Sure. The three markets are doing well. I think we said the same points on the second quarter call, but we are gaining share in all three of those markets in our key brands and so we're pleased with the progress that we're making. You can continue to see aside from the top line, the benefit of some of the go-to-market work, including the model in China but also efficiencies in the other markets. So, we're pleased with the way things are going.

As we look to the fourth quarter, some of the same capacity challenges that we've seen in the U.S. and North America are going to have some impact on those markets as well, but really pleased with the distribution gains we've seen, the velocity, and the share across those three markets.

Michele Buck

I'd say in terms of the key initiatives I would probably bucket them across in terms of it is investing in the core. India, we're still focused on the chocolate expansion and broadening that. In Mexico, we have both a strong chocolate portfolio as well as Pelon Pelo Rico in the sweets area, and Brazil, continuing to fill out our portfolio. We launched Halloween in Brazil for the first time. We had a premium dark line that came out in Brazil a while back that's been very successful. Across all of those markets, investing to continue to build those brands and to build distribution I think are really the key priorities there.

Alexia Howard

Great. Then as a follow-up, I didn't see any reference to the ecommerce channels in the prepared remarks this time around. Has that channel slowed down materially? Obviously, it was very elevated during the pandemic. I'm just wondering what's happening over there and whether that's becoming maybe less of a focus this year.

Michele Buck

Overall, I think perhaps not totally unexpectedly from a broad consumer perspective, overall trips to stores, both brick-and-mortar and ecommerce are up both versus 2020 and 2019. In-store trips have pretty much rebounded to the prepandemic levels. In ecommerce what we've seen is the trips have largely maintained versus last year, but we have seen the dollars per trip go down as many of those consumers who were more exclusively purchasing in ecommerce shifted more of their spend back into bricks and mortar. Most of the ecommerce shoppers are not exclusively ecommerce; they shop omnichannel, so we saw some of that shifting occur.

Relative to our business in particular, our ecommerce retail sales are up versus last year with our omnichannel partners, despite the significant growth that we had year ago, and also despite the significant growth that we're seeing in bricks and mortar as well.

Alexia Howard

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

Operator

Our next question comes from the line of Steve Powers with Deutsche Bank. You may proceed with your question.

Steve Powers

Hey, thanks. Good morning. Just back to the capacity question, again, just with the timing of exactly when you might be able to alleviate pressure on those most capacity constrained brands it's hard to call, as you talked about with Michael. I guess I wanted to cycle back to Rob's question and just get a sense for how long you think this lower run rate on marketing could continue and how long you'd be comfortable letting it run, just given the competitive backdrop.

Michele Buck

I think relative to the marketing investment, we are continuously being agile and flexible, and as we are able to either bring new capacity online or make adjustments in how we are operating, because we've had a lot of focus in things like freeing up additional capacity by reducing changeovers, by focusing on core SKUs. I'd say we're in a period of continuous improvement, both in terms of capacity investment and maximizing the capacity we have. We closely monitor that so that as we do see upticks, we can then quickly reassess and adjust our spending accordingly.

Steve Voskuil

All I would add is when we talked in the past about the analytics that we have around our media investment. We put a lot of our own investment in building out that analytics capabilities, so I don't think of the media test as sort of a peanut butter approach. It's very surgical, it's very precise to the areas where we have capacity constraints, and very protective of the high ROI core brand advertising.

Steve Powers

That makes sense. Just if I could, how much of those analytics and those considerations are driven by your internal—aspects that are internal to you, in your control, in your capacity versus the competitive backdrop, right? Right now it sounds like you and competitors are all on that kind of a similar spot, and so as you pull back, you're not overly concerned about share of voice being lost, etc. If you felt you were more offside on capacity relative to competitors and you saw them ticking things up, how does that factor in? Would you be ramping up ahead of capacity on marketing just to maintain that share of voice? How do you think about that?

Steve Voskuil

Our retail sales team has very strong presence in-store. Between what's on air and what's on-shelf and what's being promoted, we have very good data coming back on what's happening from a competitive set. All of that does feed into the decision as we think about how we're going to optimize our marketing and media spend.

Steve Powers

Okay, great. Just one last question, if I could. You called out the price increase executed recently in the U.S. and your expectation for pricing to play a bigger role in next year's growth, which makes good sense. Is there any color you could provide just in terms of the cadence of how you expect net realized price to flow? Is it going to be relatively even throughout the year? Does it build? Just any context there would be helpful. Thank you.

Steve Voskuil

We're going to have more in the first half of '22. Think about the most recent price increase will kick in in the first quarter, plus we'll have carryover from the price increases that we announced earlier this year, so the first half will have more price relative to the back-half.

Steve Powers

Perfect. Thank you.

Operator

Our next question comes from the line of Jonathan Feeney with Consumer Edge. You may proceed with your question.

Jonathan Feeney

Hey, good morning and thanks. Just a quick one for me.

I'm trying to understand, for Q3 and your numbers, I'm off by a few days and your numbers are probably better than mine, but clearly—I have 9.7 for pricing in measured pricing in Q3, U.S. scanner channels. When pricing broadly is at retail is ahead of what wholesale pricing appears to be, what's going on? Does that tell us something about the kind of pricing you'd expect to flow through? Is there any possibility that retailers are kind of margining up a little bit, at least relative to what you would consider standard operations. Thanks very much.

Steve Voskuil

Sure. We're not seeing retailers margin up in a material way. What you do see is a lot of impact of mix in retail, and you've really got to click down to get down to pack type and really see what's happening. When you get down to that level, it's consistent. More than what you see when you look at just at the top level.

Jonathan Feeney

Got you. You'd say it's more of a mix phenomenon then?

Steve Voskuil

That's right.

Jonathan Feeney

That I'm looking at. Cool. Thanks very much.

Steve Voskuil

You bet.

Operator

Ladies and gentlemen, we have reached the end of today's question and answer session. I would like to turn this call back over to Ms Melissa Poole for closing remarks.

Melissa Poole

Thanks so much for joining us this morning. We'll certainly be available throughout the day for any additional questions you may have. Have a great day.

Operator

This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation. Enjoy the rest of your day.