

SKINNY  
POP  
POPCORN



HERSHEY 

ANNUAL MEETING OF  
STOCKHOLDERS

MAY 12, 2020



# MICHELE BUCK

*chairman, president and  
chief executive officer*

**HERSHEY** 

# ITEMS OF BUSINESS

ELECTION OF 13 DIRECTORS

# NOMINATED DIRECTORS

Pamela Arway

James Brown

Victor Crawford

Charles Davis

Mary Kay Haben

James Katzman

Diane Koken

Robert Malcolm

Anthony Palmer

Juan Perez

Wendy Schoppert

David Shedlarz

Michele Buck

# BOARD RECOMMENDATION

The Board recommends a vote  
FOR each of the director nominees

# ITEMS OF BUSINESS

ELECTION OF 13 DIRECTORS

**RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

# BOARD RECOMMENDATION

The Board recommends a vote FOR ratification of the appointment of ERNST & YOUNG LLP as independent auditors for 2020

# ITEMS OF BUSINESS

ELECTION OF 13 DIRECTORS

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

**ADVISE ON NAMED EXECUTIVE OFFICER COMPENSATION**



# BOARD RECOMMENDATION

**The Board recommends a vote FOR approval, on a non-binding advisory basis, of the Company's named executive officer compensation**

# ITEMS OF BUSINESS

ELECTION OF 13 DIRECTORS

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

ADVISE ON NAMED EXECUTIVE OFFICER COMPENSATION

**VOTING**

# ITEMS OF BUSINESS

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VOTING

**BUSINESS REVIEW**

# FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Many of these forward-looking statements can be identified by the use of words such as “intend,” “believe,” “expect,” “anticipate,” “should,” “planned,” “projected,” “estimated,” and “potential,” among others. These statements are made based upon current expectations that are subject to risk and uncertainty. Because actual results may differ materially from those contained in the forward-looking statements, you should not place undue reliance on the forward-looking statements when deciding whether to buy, sell or hold the company's securities. Factors that could cause results to differ materially include, but are not limited to: risks related to the impact of the COVID-19 global pandemic on our business, suppliers, distributors, consumers, customers, and employees; the scope and duration of the pandemic; government actions and restrictive measures implemented in response to the pandemic, including the continuation of social distancing guidelines and stay at home orders; disruptions or inefficiencies in our supply chain due to the loss or disruption of essential manufacturing or supply elements or other factors; issues or concerns related to the quality and safety of our products, ingredients or packaging; changes in raw material and other costs, along with the availability of adequate supplies of raw materials; the company's ability to successfully execute business continuity plans to address the COVID-19 pandemic and resulting changes in consumer preferences and the broader economic and operating environment; selling price increases, including volume declines associated with pricing elasticity; market demand for our new and existing products; increased marketplace competition; failure to successfully execute and integrate acquisitions, divestitures and joint ventures; changes in governmental laws and regulations, including taxes; political, economic, and/or financial market conditions; risks and uncertainties related to our international operations; disruptions, failures or security breaches of our information technology infrastructure; our ability to hire, engage and retain a talented global workforce; our ability to realize expected cost savings and operating efficiencies associated with strategic initiatives or restructuring programs; complications with the design or implementation of our new enterprise resource planning system; and such other matters as discussed in our Annual Report on Form 10-K for the year ended December 31, 2019 and our Quarterly Report on Form 10-Q for the quarterly period ended March 29, 2020. The company undertakes no duty to update any forward-looking statement to conform the statement to actual results or changes in the company's expectations.

# WHAT WE WANT YOU TO LEAVE WITH TODAY

## PERSEVERING THROUGH TODAY

We remain confident in the **strength of our category and brands** and our **team, who is proactive and agile** in managing our performance as the pandemic unfolds

## SECURING TOMORROW

Our **long-term strategies remain unchanged**; we are investing in **key differentiators** that will continue to enable us to respond to the **rapidly changing environment**

## DRIVING SHAREHOLDER VALUE

We are reassured by our **financial stability** to manage through the pandemic, while endeavoring to create **peer-leading shareholder value** over the long-term

# OUR TOP PRIORITY IS ENSURING THE PHYSICAL, MENTAL AND FINANCIAL WELL-BEING OF OUR TEAM

## MANUFACTURING



Increased safety measures and stringent operating protocols

Personal Protective Equipment

Option to stay-at-home, incentives for those who choose to come to work

## SALES



Personal Protective Equipment

Flexible scheduling limiting time in-store to least amount of shoppers

Option to stay-at-home, incentives for those who choose to remain active

## CORP & COMMERCIAL



Working remotely

Equipment and technology to support remote work



# AND OUR KEY PARTNERS IN THE BROADER VALUE CHAIN WHO RELY ON US



farmers | raw ingredient suppliers | manufacturing | distributors | retailers | consumers

# OUR TEAMS HAVE RISEN TO THE CHALLENGE

<15

POSITIVE CASES

>98%

CASE FILL RATE

~+3pts

CMG MARKET  
SHARE

Source: IRI 6 weeks ending 04/26/20

PERSEVERING THROUGH TODAY

ENSURE HEALTH & SAFETY & MAINTAIN FOOD SUPPLY

HERSHEY 



# MILLIONS

IN CASH,  
PRODUCT DONATIONS &  
TECHNICAL RESOURCES  
TO SUPPORT  
COVID-19 RESPONSE  
EFFORTS



INVESTING IN  
EQUIPMENT AND  
RESOURCES TO  
**PRODUCE  
MASKS**



## DONATING PRODUCTS TO HOSPITALS

across the country to  
lift spirits and express  
gratitude



## PARTNERING WITH



# COVID-19 IS AFFECTING CONSUMERS IN NUMEROUS WAYS

## MACRO AND RETAIL CHANGES

Shelter in place guidelines

Retailers limiting occupancy and store hours

Encouraged to wear masks in public

Households experiencing heightened financial pressure

E-Commerce struggling to keep pace with demand

## CONSUMER BEHAVIOR

Reduced number of trips and length of time in store; bigger basket size per trip

Shopping priorities have changed

Decreased discretionary income

Shift to online shopping

# AND HAS HAD MANY IMPACTS ON OUR BUSINESS

## COVID-19 OPPORTUNITIES

### REVENUE

- E-Commerce acceleration
- Increased at-home chocolate consumption
- More family baking

### PROFIT

- Lower travel and entertainment expenses
- Investment optimization and prioritization

## COVID-19 CHALLENGES

- Reduced away from home consumption
- Chocolate World store closures
- Emerging market softness
- Reduced Gum/Mint use while social distancing
  
- Incentives and rewards for front-line employees in manufacturing and sales
- Enhanced sanitation

# SECURING TOMORROW



CORE BUSINESS STRATEGIES REMAIN



INVESTING IN KEY DIFFERENTIATORS  
FOR LONG-TERM GROWTH



# WE DO THIS...

- 🔥 Drive Core U.S. Confection
- 🔥 Capture Better For You Snacking Occasions
- 🔥 Deliver Profitable International Growth
- 🔥 Invest in people, capabilities and communities



# BECAUSE WE BELIEVE THIS...



*There's more moments of goodness to be made*

# LONG-STANDING VALUES MAKE OUR COMPANY A SPECIAL PLACE TO WORK



# BUILDING HIGH PERFORMING AND DIVERSE TEAMS AND CULTURES

## DIVERSITY

Board of Directors & Executive\*

50%



Peer-Leading Overall\*

42%



## GENDER REPRESENTATION

Total Workforce

50%



Senior Leaders

32%



\$ .99

on the dollar  
compared to  
men\*\*

## ENGAGEMENT

Enterprise Wide Engagement

84%

+3pts vs worldwide benchmark

Salaried

89%

Top 20% Worldwide

\* As of the proxy record date of 03/13/20.

\*\* Based on salaried workforce in the U.S.

Source: Perceptyx, 2019 Gender Diversity Index (GDI) report published by Business Wire

# ADVANCING OUR SUSTAINABILITY WORK





# FOCUSING WHERE WE CAN MAKE THE GREATEST IMPACT



OUR VISION:

# AN INNOVATIVE SNACKING POWERHOUSE



#2  
IN U.S.  
SNACKING



Source: IRI ending 12/29/19

# LEADERSHIP ACROSS US CONFECTION SEGMENTS

## HERSHEY MARKET SHARE



Chocolate

Non-chocolate

Mint

Gum

**#1**

**44.4%**

**#3**

**7.8%**

**#1**

**36.7%**

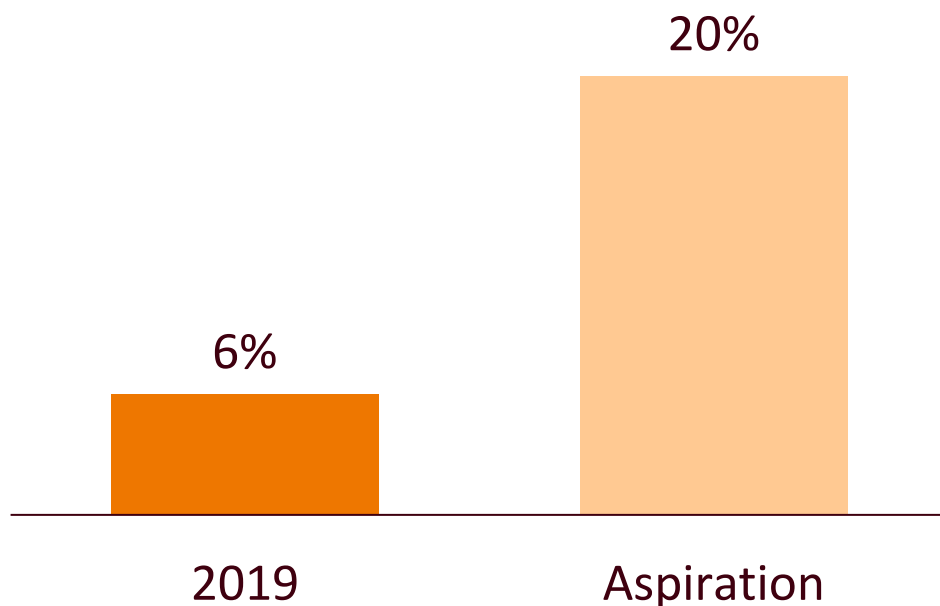
**#3**

**11.2%**

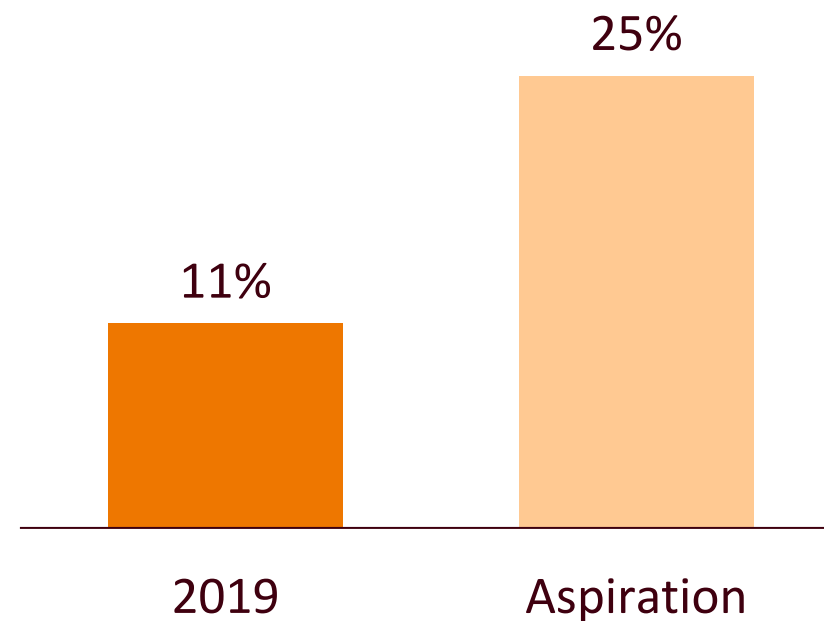
Source: IRI ending 12/29/19

# DIVERSIFYING TO CAPTURE INCREMENTAL GROWTH

## BFY SNACKS % OF SALES



## INTERNATIONAL & OTHER % OF SALES

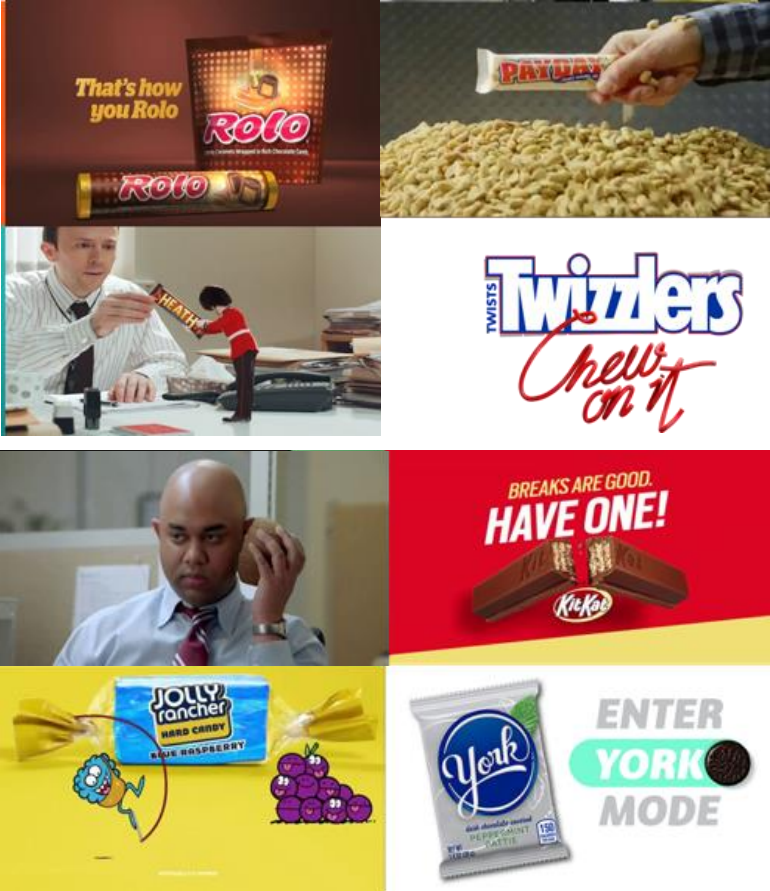


Source: Company Financials; 2019 includes annualized ONE sales



# BALANCED PLAN FOR 2020

## MORE BRANDS ACTIVATED



## STRONG INNOVATION



## ADVANCE BFY PORTFOLIO



# INCREMENTAL INVESTMENTS IN CAPABILITIES

## Addressable Media



## Category Management



## Digital Commerce



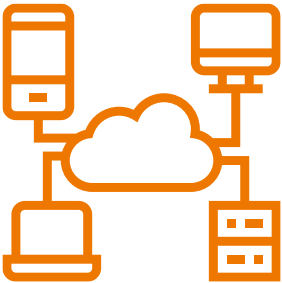
## Supply Chain



## Revenue Management



## ERP / Data / Technology



# DRIVING SHAREHOLDER VALUE



**FINANCIAL STABILITY  
TO MANAGE THROUGH THE  
PANDEMIC**



**DELIVERING PEER-LEADING  
SHAREHOLDER VALUE**

# STRONG FINANCIAL FOUNDATION

2019

Net Sales  
**\$8B**

Adj Operating  
Profit Margin  
**21.1%**

Adj EPS  
**\$5.78**

Operating  
Cash Flow  
**\$1.7B**

**+2.5%**

**+50bps**

**+7.8%**

**+10%**

TOTAL SHAREHOLDER RETURN  
**+40%**

See appendix for reconciliation between GAAP and Non-GAAP for 2019 and 2018.  
Source: Company Financials

DRIVING SHAREHOLDER VALUE

FINANCIAL STABILITY

HERSHEY 



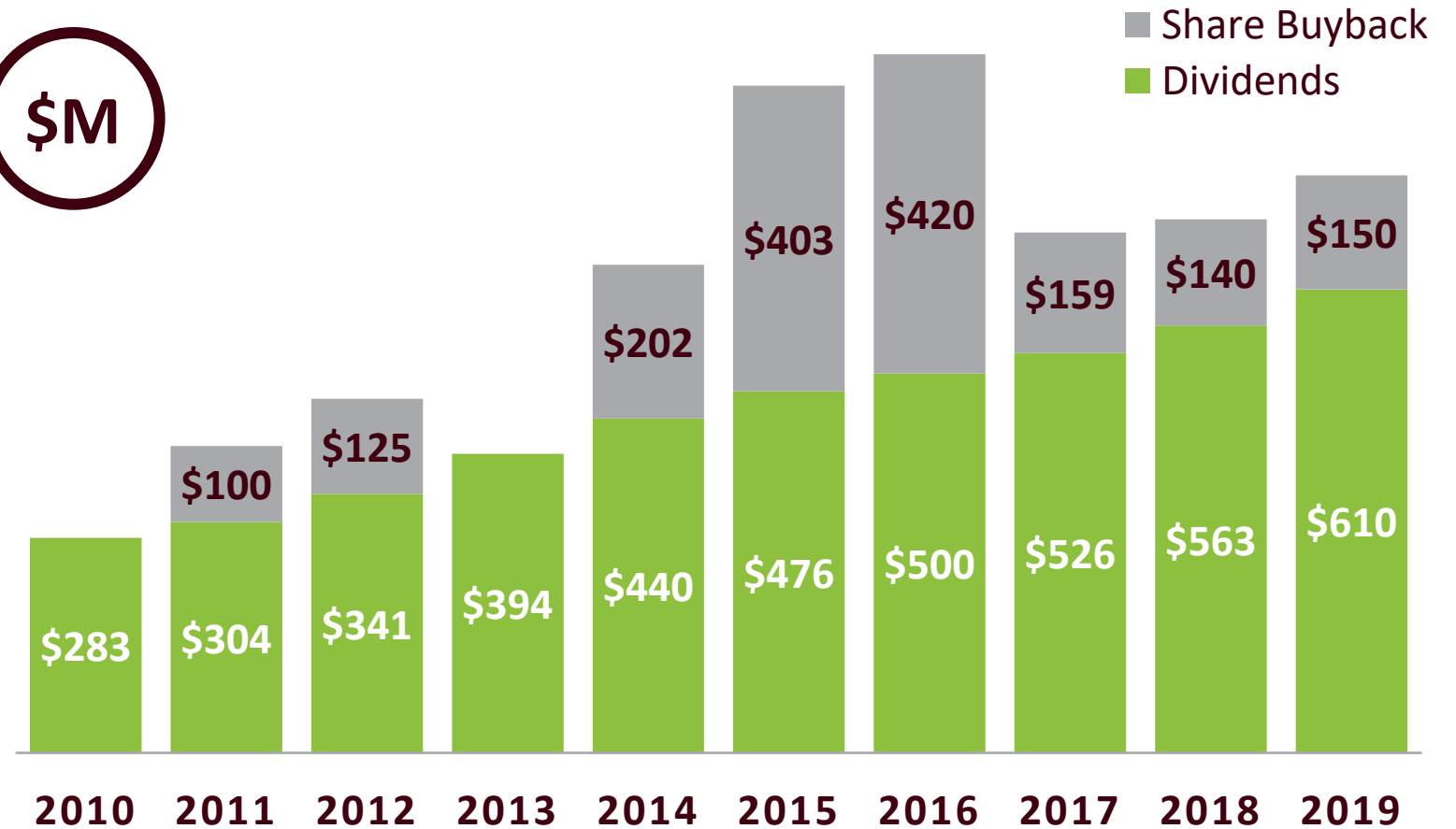
# STRONG TRACK RECORD OF RETURNING CASH TO SHAREHOLDERS

~\$6B in dividends and share repurchases\* over the last 10 years

Committed to a dividend payout ratio of at least 50%



**362nd**  
Consecutive  
Dividend



Source: Hershey Financials

\*Excludes shares repurchased in connection with the exercise of stock options

# A SOLID INVESTMENT OVER THE LONG TERM

## TOTAL SHAREHOLDER RETURN



Source: Bloomberg

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# LONG-TERM GUIDANCE REMAINS THE SAME

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NET SALES  
GROWTH  
**+2-4%**

EPS  
GROWTH  
**+6-8%**

# 126 YEARS OF MANAGING THROUGH CHALLENGING MOMENTS IN TIME



1894



2020



“The more closely we work together, the more effectively we can contribute to the better health of mankind.”

Milton Hershey





# #STRONGERTOGETHER

WE  
Thankful  
for  
YOU!

STRONG

We Are All  
In This  
Together!

WINNING  
AT HOME &  
ABROAD!!!

CAN DO  
ATTITUDE

LET'S STAY  
STRONGER  
LONGER

Planning HSY  
HAPPINESS  
from HOME

#Stranger Together  
THANK YOU!

hugs  
I'M JOLLY.



# ITEMS OF BUSINESS

ELECTION OF 13 DIRECTORS

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

ADVISE ON NAMED EXECUTIVE OFFICER COMPENSATION

VOTING

BUSINESS REVIEW

**QUESTIONS AND ANSWERS**

# QUESTIONS & ANSWERS

KEEP QUESTIONS BRIEF | LIMIT TO ONE TOPIC

\*All questions and answers will be posted on the Investor Relations' website by May 19<sup>th</sup>, including those we are unable to get to during the live meeting today

# ITEMS OF BUSINESS

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QUESTIONS AND ANSWERS

**VOTING RESULTS**



**HERSHEY** 

# APPENDIX

## Reconciliation of GAAP and Non-GAAP Information

For the year ended December 31,

2019

In millions of dollars except per share amounts	<u>Gross Profit</u>	<u>Operating Profit</u>	<u>Interest Expense, net</u>	<u>Net Income</u>	<u>Income Per Share-Diluted</u>	<u>Other (Income) Expense, net</u>	<u>Provision for Income Taxes</u>
GAAP results	\$ 3,622.5	\$ 1,596.0	\$ 144.1	\$ 1,149.7	\$ 5.46	\$ 71.0	\$ 234.0
Adjustments:							
Derivative mark-to-market gains	(28.7)	(28.7)	--	(25.2)	(0.14)	--	(3.4)
Business realignment activities	-	9.2	--	7.3	0.04	--	2.0
Acquisition-related costs	2.0	10.2	--	7.7	0.05	--	2.5
Pension settlement charges relating to Company-directed initiatives	--	--	--	1.8	0.01	(2.4)	0.6
Long-lived and intangible asset impairment charges	--	112.5	--	88.5	0.53	--	24.0
Noncontrolling interest share of business realignment and impairment charges	--	--	--	(2.8)	(0.01)	--	--
Gain on sale of other assets	--	(11.3)	--	(8.5)	(0.05)	--	(2.8)
Tax effect of all adjustments reflected above	--	--	--	-	(0.11)		
Non-GAAP results	\$ 3,595.8	\$ 1,687.9	\$ 144.1	\$ 1,218.4	\$ 5.78	\$ 68.7	\$ 256.9
						\$ 68.651	
GAAP Depreciation & Amortization		291.5					
Accelerated Depreciation		0.0					
Adjusted Non-GAAP EBITDA		\$ 1,979.5					

# APPENDIX

## Reconciliation of GAAP and Non-GAAP Information

For the year ended December 31,

2018

In millions of dollars except per share amounts	<u>Gross Profit</u>	<u>Operating Profit</u>	<u>Interest Expense, net</u>	<u>Net Income</u>	<u>Income Per Share-Diluted</u>	<u>Other (Income) Expense, net</u>	<u>Provision for Income Taxes</u>
GAAP results	\$ 3,575.3	\$ 1,623.7	\$ 138.8	\$ 1,177.6	\$ 5.58	\$ 74.8	\$ 239.0
Adjustments:							
Derivative mark-to-market gains	(168.3)	(168.3)	--	(152.5)	(0.80)	--	(15.8)
Business realignment activities	11.3	51.8	--	38.9	0.25	--	13.0
Acquisition-related costs	6.2	44.8	--	35.7	0.21	--	9.1
Pension settlement charges relating to Company-directed initiatives	--	--	--	4.1	0.03	(5.5)	1.3
Long-lived and intangible asset impairment charges	--	57.7	--	41.9	0.27	--	15.9
Impact of U.S. tax reform	--	--	--	(7.8)	-	--	7.8
Noncontrolling interest share of business realignment and impairment charges	--	--	--	(6.3)	(0.03)	--	--
Gain on sale of licensing rights	--	(2.7)	--	(1.5)	(0.01)	--	(1.2)
Tax effect of all adjustments reflected above	--	--	--	-	(0.14)	--	--
Non-GAAP results	\$ 3,424.6	\$ 1,607.1	\$ 138.8	\$ 1,130.1	\$ 5.36	\$ 69.3	\$ 269.1
						\$ 69.311	
GAAP Depreciation & Amortization		295.1					
Accelerated Depreciation		(9.1)					
Adjusted Non-GAAP EBITDA		\$ 1,893.1					

\* Primarily accelerated depreciation related to the Operational Optimization Program, included in business realignment adjustment