The Hershey Company

Second Quarter 2026 Earnings Results (Prepared Remarks)

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CORPORATE PARTICIPANTS

Anoori Naughton, *Vice President of Investor Relations*

Kirk Tanner, *President and Chief Executive Officer*

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

PRESENTATION

Anoori Naughton

Good morning and welcome to the pre-recorded discussion of The Hershey Company's Second Quarter 2026 Earnings Results.

I am Anoori Naughton, Vice President of Investor Relations. Joining me today are Hershey's President and CEO Kirk Tanner, and Hershey's Senior Vice President and CFO Steve Voskuil.

In addition to these remarks, we will host an analyst Q&A-only session at 8:30 a.m. Eastern on the morning of July 30. A replay of this webcast and our subsequent Q&A session will be available on the Investor Relations section of our website, along with their corresponding transcripts.

During the course of today's discussion, Management will make forward-looking statements that are subject to various risks and uncertainties. These statements include expectations and assumptions regarding the Company's future operations and financial performance. Actual results could differ materially from those projected. The Company undertakes no obligation to update these statements based on subsequent events. A detailed listing of such risks and uncertainties can be found in today's press release and the Company's SEC filing.

Finally, please note that during today's discussion we will refer to certain non-GAAP financial measures that we believe will provide useful information for investors. The presentation of this information is not intended to be considered in isolation, or as a substitute for the financial information presented in accordance with GAAP. Reconciliations to the GAAP results are included in this morning's press release, which is available on the Investor Relations page of our website.

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

Kirk Tanner

Good morning, everyone, and thank you for joining us.

We entered 2026 with a clear objective: deliver 4% to 5% net sales growth and meaningful margin and earnings recovery, while continuing to invest in our strategy, capabilities, and organization that will support Hershey's long-term growth.

Today, we are narrowing our net sales and adjusted EPS ranges to the top half of our prior outlook, reflecting the strength of our first-half of 2026 performance, with reported net sales up nearly 9%, organic net sales up almost 6%, and adjusted earnings per share up 28%.

We enter the second half with momentum, compelling growth plans, and increased investment behind our Brands, Merchandising, and Innovation. At the same time, our cost visibility and operating flexibility give us confidence in our ability to navigate evolving market conditions while delivering on our full-year financial commitments.

Let me start with the operating environment and segment performance.

Our categories continue to perform well globally, supported by resilient consumer demand for snacks that deliver either emotional or functional benefits. In the U.S., Retail category growth for confection increased approximately 5%, permissible Salty Snacks grew 17%, Nutrition Bars were up 12%, and our business continued to deliver solid results across most International Markets in the first half.

Consumer behavior, while dynamic week-to-week, is tracking largely as we anticipated. U.S. consumer sentiment remains soft, and shoppers continue to be value-oriented and selective in their spending. The first-half impact to our categories from SNAP program changes were very modest. While more state waivers are now in place, household spending reductions have been more moderate than initially observed earlier in the year. We remain prudent in our outlook, recognizing that behaviors may change with seasonality.

Evolving Health and Wellness trends, including GLP-1 adoption, are also tracking in line with our expectations. Importantly, our portfolio remains well positioned across a broad range of snacking occasions, with permissible and functional needs supporting demand and momentum in Gum, Mints, and Protein.

Turning to segment performance.

North America Confectionery delivered 6% reported net sales growth in the first half. Marketplace demand, which includes non-measured channels and Easter shipments, was strong, up approximately 5%. Retailer inventory replenishment added roughly one point to growth.

Elasticities increased slightly in the second quarter, as expected with our price pack architecture actions, but remains slightly better than our full-year outlook. We view this as another proof point of the strength of our brands and the relevance of our categories, even as consumers remain disciplined in their spending.

Our product pipeline and improved core item availability positions us to accelerate demand creation in the second half. We expect a 30% year-over-year increase in brand investment to support growth in both 2026 and 2027: a 30% increase in new innovation items versus the first half, including large, national-scale launches such as Hershey's Creme Filled Bars; strong visibility into seasonal and tentpole programs with customers including Halloween and the Hershey Movie. While some upcoming periods will face challenging year-over-year comparisons, we are confident these actions position us to grow on top of last year's strong second-half performance in total.

North America Salty Snacks delivered 24% reported net sales growth in the first half, with organic net sales up 3%. Performance was below our expectations due to supply challenges on multipacks and Dot's pretzels in the second quarter. Importantly, consumer demand for our Salty Snacks portfolio remains strong. We continue to see attractive growth across permissible snacking, led by brands that are differentiated, on-trend, and highly expandable across occasions. While these supply constraints modestly temper our full-year organic net sales outlook for the segment, we are deploying capital for automation and capacity, strengthening customer programming, and positioning the segment to capture the full benefit of demand.

International continues to outperform expectations. First-half net sales increased 11%, with organic growth of nearly 6%, led by strong results in Brazil and the UK. While optimization programs are expected to weigh on second-half performance, we now expect full-year International organic net sales to increase modestly, improving from our prior outlook for a low-single-digit decline.

Stepping back, business conditions are evolving quickly. We remain focused on executing our Next Generation Snacking vision, supported by strategic investments in portfolio, talent, and technology that will position Hershey for multi-year success. We have a unique Snacking portfolio today, with significant runway to expand into attractive white spaces through brand building and innovation. You will begin to see this more clearly in the second half. We are activating new campaigns across several brands, including Cadbury, Payday, and FulFil, to strengthen consumer engagement and cultivate the same level of brand resonance we have built with Hershey this year.

At the same time, our innovation pipeline is building. We are prioritizing opportunities that broaden our reach across occasions, address evolving consumer needs, and reinforce our leadership in Snacking. Upcoming launches include Hershey Creme Filled Bars, a meaningful new offering from one of our flagship brands, and Reese's Pieces with Cookie, the first step in expanding that platform. We are moving toward meaningful incrementality via high-growth areas, starting in 2027.

We also continue to strengthen our One Hershey commercial model and advance our tech-enabled supply chain to drive greater productivity, improve efficiency, and create a more agile operating model. Together, these actions will support sustainable market share expansion and balanced growth across snacking over the long-term.

With that, I'll turn it over to Steve for more details on our financial results.

Steve Voskuil

Thank you Kirk, and good morning everyone.

We delivered another strong quarter, with resilient demand across segments despite supply challenges, while price realization and productivity initiatives drove margin recovery and adjusted EPS growth of 57% year-over-year. Combined with visibility into second-half programming, cost savings, and commodity deflation, this performance supports our confidence in delivering in the top half of our full-year net sales and adjusted EPS outlook.

Second quarter reported net sales increased 6.6% versus the prior year. The LesserEvil acquisition was a 2.7-point benefit, and foreign currency translation was a 30-basis-point benefit. Net price realization of approximately 12% in the second quarter was in line with expectations, reflecting our strategic pricing actions in the North America Confectionery and International segments.

Volume declined approximately 8 points, primarily reflecting elasticity impacts in North America Confectionery and International, partially offset by growth in North America Salty Snacks.

North America Confectionery net sales increased 4.2%. Net price realization was approximately 14%, modestly ahead of expectations due to product mix. Volume declined approximately 10%, reflecting elasticity and shipment timing dynamics, partially offset by retailer replenishment after several quarters of stronger-than-expected elasticity left inventories below optimal levels.

North America Salty Snacks net sales increased 22.9%, including an approximate 22-point benefit from the LesserEvil acquisition. Net price realization declined 3%, reflecting higher trade investment behind new item launches, while organic constant-currency volume grew approximately 4%.

Retail consumption excluding LesserEvil rose 6.5% in the quarter, led by Dot's, Reese's Filled Pretzels, and variety multipacks. This demand was partly offset by supply constraints and the planned reduction in private label production. We have action plans in place to strengthen second-half execution and now expect full-year organic net sales growth of 3% to 4% for North America Salty Snacks.

International net sales increased 5.7% in the second quarter, including an approximate 4-point foreign currency tailwind. Net price realization was around 10%, reflecting previously announced pricing actions across key markets. Volume declined approximately 8%, driven by elasticity and the depletion of roughly $10 million in inventory shipped in Q1 to mitigate geopolitical risk, partially offset by stronger-than-planned performance in Brazil and the UK.

As Kirk noted, our strong first half performance supports our updated full-year outlook for 3% to 3.5% organic net sales growth for the total company. Second-half plans remain strong, while reflecting moderation as we lap robust year-ago results, manage the timing of Q3 merchandising shipments, and continue to navigate an evolving consumer environment.

Moving down the P&L.

Adjusted gross margin expanded 350 basis points in the second quarter, driven by pricing, productivity, and input cost deflation. Results were slightly ahead of expectations, as North America Confectionery net sales and a $9 million tariff refund more than offset unfavorable freight and logistics costs in Salty Snacks and

International. We now expect full-year gross margin expansion to be slightly below 400 basis points, reflecting the increase in freight and logistics costs impacting our Salty Snacking segment.

Advertising and related consumer marketing declined approximately 3% in the second quarter, primarily due to efficiencies and the timing of non-working media in North America Confectionery. Salty Snacks investment increased double digits as we expanded national brand campaigns for SkinnyPop and Pirate's Booty to build household penetration and velocity, while International marketing also grew double digits. We continue to expect brand investment to increase meaningfully in the second half as we step up support for 2026 and 2027 initiatives.

Adjusted operating expenses, excluding advertising spend, increased approximately 5% driven primarily by incremental capability and technology investments.

The adjusted tax rate for the quarter was 24.2%, a decrease of 860 basis points versus the year-ago period, reflecting last year's one-time increase in incremental non-U.S. tax reserves. There is no change to our full-year tax outlook.

Interest expense was $50 million in the second quarter, and our full-year outlook remains $200 to $210 million.

Adjusted earnings per share increased 57% to $1.90 in the second quarter, ahead of expectations due to strong net sales and gross profit performance, along with the shift of non-working media investments into the second half. We now expect full-year adjusted EPS growth to land in the upper half of our prior range, at 32.5% to 35%. Our outlook does not include potential future tariff rebates. Third quarter EPS growth is expected to be the strongest of the year, as pricing net of commodity costs is expected to be most favorable versus the year-ago period.

Capital additions, including software, were $90 million in Q2, $5 million higher than the prior-year period. Dividends paid totaled $286 million, up 6% year-over-year. The Company repurchased $370 million of common shares in the quarter, with $270 million remaining under the December 2023 authorization. In June 2026, the Board approved an incremental $500 million share repurchase authorization, reflecting confidence in our long-term outlook, balance sheet flexibility, and commitment to return excess cash to shareholders while continuing to invest in the business.

We continue to make strong progress against our key initiatives, and our disciplined investments in brands, capabilities, technology, and people position us well to deliver long-term shareholder value.

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

Kirk Tanner

Thanks, Steve.

To close, we delivered a strong first half and we are investing behind that momentum in the second half. Our focus remains on showing up for consumers in the moments and occasions that matter most to them this time of year. We remain confident in our ability to build Hershey for sustainable growth and long-term value creation. Thank you for your time this morning. We invite you to join us for our live Q&A webcast beginning at 8:30 a.m. eastern.