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DELTA REPORT

10-Q

HSY - HERSHEY CO

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - OCTOBER 01, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1421

■ CHANGES	373
■ DELETIONS	554
■ ADDITIONS	494

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **October 1, 2023** **March 31, 2024**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____
Commission file number 1-183



THE HERSHEY COMPANY

(Exact name of registrant as specified in its charter)

Delaware

23-0691590

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

19 East Chocolate Avenue, Hershey, PA 17033

(Address of principal executive offices and Zip Code)

(717) 534-4200

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, one dollar par value	HSY	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Common Stock, one dollar par value—**149,884,670** **147,615,686** shares, as of **October 20, 2023** **April 26, 2024**.

Class B Common Stock, one dollar par value—54,613,514 shares, as of **October 20, 2023** **April 26, 2024**.

THE HERSHEY COMPANY
Quarterly Report on Form 10-Q
For the Period Ended October 1, 2023 March 31, 2024

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION	2
<u>Item 1. Financial Statements</u>	<u>2</u>
<u>Consolidated Statements of Income for the Three and Nine Months Ended October 1, 2023 March 31, 2024 and October April 2, 202, 2022</u>	<u>2</u>
<u>Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended October March 31, 202, 2023 4 and Oct April 2, 202, 2022</u>	<u>3</u>
<u>Consolidated Balance Sheets as of October 1, 2023 March 31, 2024 and December 31, 2022 December 31, 2023</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows for the Nine Three Months Ended October 1, 2023 March 31, 2024 and October April 2, 202, 2022</u>	<u>5</u>
<u>Consolidated Statements of Stockholders' Equity for the Three and Nine Months Ended October March 1, 2023 March 31, 2024 and Oct April 1, 202, 2022</u>	<u>6</u>
<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>97</u>
<u>Note 1 - Summary of Significant Accounting Policies</u>	<u>87</u>
<u>Note 2 - Business Acquisitions</u>	<u>98</u>
<u>Note 3 - Goodwill and Intangible Assets</u>	<u>118</u>
<u>Note 4 - Short and Long-Term Debt</u>	<u>129</u>
<u>Note 5 - Derivative Instruments</u>	<u>1310</u>
<u>Note 6 - Fair Value Measurements</u>	<u>1613</u>
<u>Note 7 - Leases</u>	<u>1814</u>
<u>Note 8 - Investments in Unconsolidated Affiliates</u>	<u>2116</u>
<u>Note 9 - Business Realignment Activities</u>	<u>2116</u>
<u>Note 10 - Income Taxes</u>	<u>2218</u>
<u>Note 11 - Pension and Other Post-Retirement Benefit Plans</u>	<u>2319</u>
<u>Note 12 - Stock Compensation Plans</u>	<u>2419</u>
<u>Note 13 - Segment Information</u>	<u>2722</u>
<u>Note 14 - Treasury Stock Activity</u>	<u>3025</u>
<u>Note 15 - Contingencies</u>	<u>3026</u>
<u>Note 16 - Earnings Per Share</u>	<u>3227</u>
<u>Note 17 - Other (Income) Expense, Net</u>	<u>3428</u>
<u>Note 18 - Related Party Transactions</u>	<u>348</u>
<u>Note 19 - Supplemental Balance Sheet Information</u>	<u>3529</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>3731</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>4740</u>
<u>Item 4. Controls and Procedures</u>	<u>4942</u>
PART II. OTHER INFORMATION	4943
<u>Item 1. Legal Proceedings</u>	<u>4943</u>
<u>Item 1A. Risk Factors</u>	<u>4943</u>
<u>Item 2. Unregistered Sales of Equity Securities, and Use of Proceeds, and Issuer Purchases of Equity Securities</u>	<u>4945</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>4945</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>4945</u>
<u>Item 5. Other Information</u>	<u>4945</u>
<u>Item 6. Exhibits</u>	<u>5146</u>
<u>Signatures</u>	<u>5247</u>

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(unaudited)

		Three Months Ended		Nine Months Ended			
		October 2, October 1, 2023		October 1, 2022	October 2, 2023	October 2, 2022	
		Three Months Ended					
		Three Months Ended					
		March 31, 2024				March 31, 2024	April 2, 2023
Net sales	Net sales	\$ 3,029,987	\$ 2,728,153	\$ 8,507,881	\$ 7,766,956		
Cost of sales	Cost of sales	1,669,734	1,619,653	4,633,207	4,412,977		
Gross profit	Gross profit	1,360,253	1,108,500	3,874,674	3,353,979		
Selling, marketing and administrative expense	Selling, marketing and administrative expense	624,304	551,880	1,777,695	1,619,564		
Business realignment costs							
Business realignment costs							
Business realignment costs	Business realignment costs	—	—	441	274		
Operating profit	Operating profit	735,949	556,620	2,096,538	1,734,141		
Interest expense, net	Interest expense, net	39,755	35,378	114,101	101,970		
Other (income) expense, net	Other (income) expense, net	42,781	48,157	130,248	78,222		
Income before income taxes	Income before income taxes	653,413	473,085	1,852,189	1,553,949		
Provision for income taxes	Provision for income taxes	134,836	73,598	339,444	305,428		
Net income	Net income	\$ 518,577	\$ 399,487	\$ 1,512,745	\$ 1,248,521		
Net income							
Net income							
Net income per share—basic:	Net income per share—basic:						
Net income per share—basic:							
Net income per share—basic:							
Common stock							
Common stock							
Common stock	Common stock	\$ 2.60	\$ 2.00	\$ 7.56	\$ 6.23		

Class B common stock	Class B common stock	\$	2.36	\$	1.82	\$	6.93	\$	5.67
Net income per share—diluted:	Net income per share—diluted:								
Net income per share—diluted:									
Net income per share—diluted:									
Common stock									
Common stock									
Common stock	Common stock	\$	2.52	\$	1.94	\$	7.36	\$	6.04
Class B common stock	Class B common stock	\$	2.36	\$	1.81	\$	6.91	\$	5.65
Dividends paid per share:	Dividends paid per share:								
Dividends paid per share:									
Dividends paid per share:									
Common stock									
Common stock									
Common stock	Common stock	\$	1.192	\$	1.036	\$	3.264	\$	2.838
Class B common stock	Class B common stock	\$	1.083	\$	0.942	\$	2.967	\$	2.580

See Notes to Unaudited Consolidated Financial Statements.

The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Page 2

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THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

Other comprehensive income, net of tax:	Other comprehensive income, net of tax:												
Foreign currency translation adjustments:	Foreign currency translation adjustments:												
Foreign currency translation adjustments:	Foreign currency translation adjustments:												
Foreign currency translation gains (losses) during period	Foreign currency translation gains (losses) during period												
Foreign currency translation gains (losses) during period	Foreign currency translation gains (losses) during period												
Foreign currency translation gains (losses) during period	Foreign currency translation gains (losses) during period	\$ (12,461)	\$ (12,461)	\$ (13,511)	\$ (13,511)	\$ 8,875	\$ 8,875	\$ (15,851)	\$ (15,851)	\$ —	\$ —	\$ —	
Pension and post-retirement benefit plans:	Pension and post-retirement benefit plans:												
Pension and post-retirement benefit plans:	Pension and post-retirement benefit plans:												
Pension and post-retirement benefit plans:	Pension and post-retirement benefit plans:												
Net actuarial gain (loss) and service cost	Net actuarial gain (loss) and service cost												
Net actuarial gain (loss) and service cost	Net actuarial gain (loss) and service cost												
Net actuarial gain (loss) and service cost	Net actuarial gain (loss) and service cost	\$ (35,109)	\$ 8,417	\$ (26,692)	\$ (27,909)	\$ 6,704	\$ (21,205)	\$ (34,185)	\$ 8,239	\$ (25,946)	\$ (66,720)	\$ 13,895	\$ (52,825)
Reclassification to earnings	Reclassification to earnings	\$ 5,174	\$ (1,242)	\$ 3,932	\$ 6,904	\$ (1,657)	\$ 5,247	\$ 16,062	\$ (3,855)	\$ 12,207	\$ 20,345	\$ (4,883)	\$ 15,462
Cash flow hedges:	Cash flow hedges:												
Gains (losses) on cash flow hedging derivatives	Gains (losses) on cash flow hedging derivatives												
Gains (losses) on cash flow hedging derivatives	Gains (losses) on cash flow hedging derivatives												
Gains (losses) on cash flow hedging derivatives	Gains (losses) on cash flow hedging derivatives	\$ 2,945	\$ (1,365)	\$ 1,580	\$ 891	\$ (706)	\$ 185	\$ (538)	\$ (3,096)	\$ (3,634)	\$ 245	\$ (1,343)	\$ (1,098)
Reclassification to earnings	Reclassification to earnings	\$ 4,198	\$ (163)	\$ 4,035	\$ 2,258	\$ (643)	\$ 1,615	\$ 13,451	\$ (3,267)	\$ 10,184	\$ 9,143	\$ (1,666)	\$ 7,477
Total other comprehensive income (loss), net of tax	Total other comprehensive income (loss), net of tax	\$ (35,253)	\$ 5,647	\$ (29,606)	\$ (31,367)	\$ 3,698	\$ (27,669)	\$ 3,665	\$ (1,979)	\$ 1,686	\$ (52,838)	\$ 6,003	\$ (46,835)
Comprehensive income	Comprehensive income												
Comprehensive income	Comprehensive income												
Comprehensive income	Comprehensive income	\$ 488,971		\$ 371,818		\$ 1,514,431		\$ 1,201,686					

THE HERSHEY COMPANY CONSOLIDATED BALANCE SHEETS (in thousands, except share data)									
		December							
		October 1, 2023	31, 2022						
		(unaudited)							
		March 31, 2024		March 31, 2024	December 31, 2023				
		(unaudited)							
ASSETS									
ASSETS									
ASSETS									
Current assets:	Current assets:								
Current assets:	Current assets:								
Cash and cash equivalents	Cash and cash equivalents	\$ 471,252	\$ 463,889						
Cash and cash equivalents	Cash and cash equivalents	\$ 471,252	\$ 463,889						
Accounts receivable— trade, net	Accounts receivable— trade, net	1,127,728	711,203						
Inventories	Inventories	1,347,820	1,173,119						
Prepaid expenses and other	Prepaid expenses and other								
Prepaid expenses and other	Prepaid expenses and other								
Prepaid expenses and other	Prepaid expenses and other	243,617	272,195						
Total current assets	Total current assets	3,190,417	2,620,406						
Property, plant and equipment, net	Property, plant and equipment, net	3,156,064	2,769,702						
Goodwill	Goodwill	2,693,182	2,606,956						
Other intangibles	Other intangibles	1,907,371	1,966,269						
Other non-current assets	Other non-current assets	950,395	944,989						
Deferred income taxes	Deferred income taxes	38,242	40,498						
Total assets	Total assets	\$ 11,935,671	\$ 10,948,820						
LIABILITIES AND STOCKHOLDERS' EQUITY									
LIABILITIES AND STOCKHOLDERS' EQUITY									
Current liabilities:	Current liabilities:								
Current liabilities:	Current liabilities:								

Accounts payable			
Accounts payable			
Accounts payable	Accounts payable	\$ 1,085,016	\$ 970,558
Accrued liabilities	Accrued liabilities	968,926	832,518
Accrued income taxes	Accrued income taxes	54,864	6,710
Short-term debt	Short-term debt	819,880	693,790
Current portion of long-term debt	Current portion of long-term debt	7,791	753,578
Total current liabilities	Total current liabilities	2,936,477	3,257,154
Long-term debt	Long-term debt	4,086,087	3,343,977
Other long-term liabilities	Other long-term liabilities	641,801	719,742
Deferred income taxes	Deferred income taxes	303,666	328,403
Total liabilities	Total liabilities	7,968,031	7,649,276
Stockholders' equity:	Stockholders' equity:		
Stockholders' equity:			
The Hershey Company stockholders' equity	The Hershey Company stockholders' equity		
Preferred stock, shares issued: none in 2023 and 2022		—	—
Common stock, shares issued: 166,938,702 at October 1, 2023 and 163,439,248 at December 31, 2022		166,939	163,439
Class B common stock, shares issued: 54,613,514 at October 1, 2023 and 58,113,777 at December 31, 2022		54,614	58,114
The Hershey Company stockholders' equity			
The Hershey Company stockholders' equity			
Preferred stock, shares issued: none in 2024 and 2023			
Preferred stock, shares issued: none in 2024 and 2023			
Preferred stock, shares issued: none in 2024 and 2023			
Common stock, shares issued: 166,939,511 at March 31, 2024 and December 31, 2023			

Class B common stock, shares issued: 54,613,514 at March 31, 2024 and December 31, 2023			
Additional paid-in capital	Additional paid-in capital	1,321,533	1,296,572
Retained earnings	Retained earnings	4,451,463	3,589,781
Treasury—common stock shares, at cost: 17,063,009 at October 1, 2023 and 16,588,308 at December 31, 2022		(1,776,262)	(1,556,029)
Treasury—common stock shares, at cost: 19,332,210 at March 31, 2024 and 17,160,099 at December 31, 2023			
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(250,647)	(252,333)
Total stockholders' equity	Total stockholders' equity	3,967,640	3,299,544
Total stockholders' equity			
Total stockholders' equity			
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$ 11,935,671	\$ 10,948,820

See Notes to Unaudited Consolidated Financial Statements.

The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Page 4



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THE HERSHEY COMPANY CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands) (unaudited)			
Nine Months Ended			
		October 1, 2023	October 2, 2022
Operating Activities	Operating Activities		
Net income	Net income	\$1,512,745	\$1,248,521
Net income	Net income		
Net income	Net income		
Three Months Ended		Three Months Ended	
March 31, 2024		March 31, 2024	
Operating Activities	Operating Activities		
Net income	Net income	\$1,512,745	\$1,248,521
Net income	Net income		
Net income	Net income		

Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization			
Depreciation and amortization			
Depreciation and amortization	Depreciation and amortization	303,096	279,082
Stock-based compensation expense	Stock-based compensation expense	56,351	50,640
Deferred income taxes	Deferred income taxes	(16,539)	(9,751)
Write-down of equity investments	Write-down of equity investments	115,418	70,754
Write-down of equity investments			
Write-down of equity investments			
Unrealized gains on derivative contracts			
Unrealized gains on derivative contracts			
Unrealized gains on derivative contracts			
Other	Other	75,677	92,632
Changes in assets and liabilities, net of business acquisition:	Changes in assets and liabilities, net of business acquisition:		
Accounts receivable—trade, net			
Accounts receivable—trade, net			
Accounts receivable—trade, net	Accounts receivable—trade, net	(409,688)	(259,064)
Inventories	Inventories	(168,110)	(201,425)
Prepaid expenses and other current assets	Prepaid expenses and other current assets	(12,937)	(40,565)
Accounts payable and accrued liabilities	Accounts payable and accrued liabilities	128,178	248,230
Accrued income taxes	Accrued income taxes	83,227	124,965
Contributions to pension and other benefit plans	Contributions to pension and other benefit plans	(21,073)	(16,639)
Other assets and liabilities	Other assets and liabilities	(80,804)	(27,186)
Net cash provided by operating activities	Net cash provided by operating activities	1,565,541	1,560,194
Investing Activities	Investing Activities		

Capital additions (including software)	Capital additions (including software)	(548,600)	(359,993)
Capital additions (including software)			
Capital additions (including software)			
Equity investments in tax credit qualifying partnerships	Equity investments in tax credit qualifying partnerships	(18,132)	(159,713)
Business acquisitions, net of cash and cash equivalents acquired			
		(165,818)	—
Equity investments in tax credit qualifying partnerships			
Equity investments in tax credit qualifying partnerships			
Other investing activities			
Other investing activities			
Other investing activities	Other investing activities	(2,993)	9,730
Net cash used in investing activities	Net cash used in investing activities	(735,543)	(509,976)
Net cash used in investing activities			
Net cash used in investing activities			
Financing Activities		Financing Activities	
Net increase (decrease) in short- term debt	Net increase (decrease) in short- term debt	126,090	(145,552)
Long-term borrowings, net of debt issuance costs		744,092	—
Net increase (decrease) in short-term debt			
Net increase (decrease) in short-term debt			
Repayment of long-term debt and finance leases			
Repayment of long-term debt and finance leases			
Repayment of long-term debt and finance leases	Repayment of long-term debt and finance leases	(753,545)	(3,321)
Cash dividends paid			
Cash dividends paid			
Cash dividends paid	Cash dividends paid	(651,266)	(567,989)
Repurchase of common stock	Repurchase of common stock	(239,910)	(355,271)
Proceeds from exercised stock options	Proceeds from exercised stock options	24,254	30,824
Taxes withheld and paid on employee stock awards	Taxes withheld and paid on employee stock awards	(34,080)	(34,722)
Net cash used in financing activities	Net cash used in financing activities	(784,365)	(1,076,031)
Net cash used in financing activities			
Net cash used in financing activities			

Effect of exchange rate changes on cash and cash equivalents	Effect of exchange rate changes on cash and cash equivalents	(38,270)	24,288
Net increase (decrease) in cash and cash equivalents			
Net increase (decrease) in cash and cash equivalents			
Net increase (decrease) in cash and cash equivalents	Net increase (decrease) in cash and cash equivalents	7,363	(1,525)
Cash and cash equivalents, beginning of period	Cash and cash equivalents, beginning of period	463,889	329,266
Cash and cash equivalents, end of period	Cash and cash equivalents, end of period	\$ 471,252	\$ 327,741
Supplemental Disclosure	Supplemental Disclosure		
Interest paid	Interest paid	\$ 111,678	\$ 90,787
Interest paid	Interest paid		
Interest paid	Interest paid		
Income taxes paid	Income taxes paid	264,497	190,724

See Notes to Unaudited Consolidated Financial Statements.

The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Page 5



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THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Three Months Ended October 1, 2023 March 31, 2024 and October 2, 2022 April 2, 2023
(in thousands)
(unaudited)

	Accumulated								
	Class B		Additional		Treasury		Other		Total
	Preferred Stock	Common Stock	Common Stock	Paid-in Capital	Retained Earnings	Common Stock	Comprehensive Loss	Stockholders' Equity	
Balance, July 2, 2023	\$ —	\$ 166,939	\$ 54,614	\$ 1,301,247	\$ 4,171,010	\$ (1,777,984)	\$ (221,041)	\$ 3,694,785	
Balance, December 31, 2023									
Net income	Net income				518,577			518,577	
Other	Other								
comprehensive loss	comprehensive loss								
Dividends	Dividends								
(including	(including								
dividend	dividend								
equivalents):	equivalents):								
Common Stock, \$1.192 per share					(178,978)			(178,978)	
Class B Common Stock, \$1.083 per share					(59,146)			(59,146)	

Conversion of Class B Common Stock into Common Stock	—	—	—
Common Stock, \$1.370 per share			
Common Stock, \$1.370 per share			
Common Stock, \$1.370 per share			
Class B Common Stock, \$1.245 per share			
Stock-based compensation			
Stock-based compensation			
Stock-based compensation	20,884		20,884
Exercise of stock options and incentive-based transactions			
Exercise of stock options and incentive-based transactions	(598)	1,705	1,107
Repurchase of common stock (including excise tax)			
Repurchase of common stock (including excise tax)	17		17
Balance, October 1, 2023	\$ — 166,939	\$ 54,614	\$ 1,321,533
	\$ 4,451,463	\$ (1,776,262)	\$ (250,647)
			\$ 3,967,640
Balance, March 31, 2024			
Balance, March 31, 2024			
Balance, March 31, 2024			

	Preferred Stock	Common Stock	Class B Common Stock	Paid-in Capital	Retained Earnings	Treasury Common Stock	Other Comprehensive Loss	Accumulated Stockholders' Equity	Total
Balance, July 3, 2022	\$ —	\$ 163,439	\$ 58,114	\$ 1,258,091	\$ 3,208,598	\$ (1,528,121)	\$ (268,381)	\$ 2,891,740	
Net income					399,487				399,487
Other comprehensive loss							(27,669)		(27,669)
Dividends (including dividend equivalents):									
Common Stock, \$1.036 per share					(152,144)				(152,144)
Class B Common Stock, \$0.942 per share					(54,743)				(54,743)
Stock-based compensation				18,132					18,132
Exercise of stock options and incentive-based transactions				4,239			4,038		8,277
Balance, October 2, 2022	\$ —	\$ 163,439	\$ 58,114	\$ 1,280,462	\$ 3,401,198	\$ (1,524,083)	\$ (296,050)	\$ 3,083,080	

See Notes to Unaudited Consolidated Financial Statements.

The Hershey Company | Q3 2023 Form 10-Q | Page 6

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THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Nine Months Ended October 1, 2023 and October 2, 2022
(in thousands)

(unaudited)

	Preferred Stock	Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Common Stock	Other Comprehensive (Loss) Income	Accumulated Stockholders' Total Equity
Balance, December 31, 2022	\$ —	\$ 163,439	\$ 58,114	\$ 1,296,572	\$ 3,589,781	\$ (1,556,029)	\$ (252,333)	\$ 3,299,544
Net income					1,512,745			1,512,745
Other comprehensive income							1,686	1,686
Dividends (including dividend equivalents):								
Common Stock, \$3.264 per share					(484,314)			(484,314)
Class B Common Stock, \$2.967 per share					(166,749)			(166,749)
Conversion of Class B Common Stock into Common Stock		3,500	(3,500)					—
Stock-based compensation				56,644				56,644
Exercise of stock options and incentive-based transactions				(31,683)		21,858		(9,825)
Repurchase of common stock (including excise tax)					(242,091)			(242,091)
Balance, October 1, 2023	<u>\$ —</u>	<u>\$ 166,939</u>	<u>\$ 54,614</u>	<u>\$ 1,321,533</u>	<u>\$ 4,451,463</u>	<u>\$ (1,776,262)</u>	<u>\$ (250,647)</u>	<u>\$ 3,967,640</u>

	Preferred Stock	Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Common Stock	Other Comprehensive (Loss) Income	Accumulated Stockholders' Total Equity
Balance, December 31, 2021	\$ —	\$ 160,939	\$ 60,614	\$ 1,260,331	\$ 2,719,936	\$ (1,195,376)	\$ (249,215)	\$ 2,757,229
Net income					1,248,521			1,248,521
Other comprehensive loss							(46,835)	(46,835)
Dividends (including dividend equivalents):								
Common Stock, \$2.838 per share					(414,869)			(414,869)
Class B Common Stock, \$2.58 per share					(152,390)			(152,390)
Conversion of Class B Common Stock into Common Stock		2,500	(2,500)					—
Stock-based compensation				50,592				50,592
Exercise of stock options and incentive-based transactions				(30,461)		26,564		(3,897)
Repurchase of common stock					(355,271)			(355,271)
Balance, October 2, 2022	<u>\$ —</u>	<u>\$ 163,439</u>	<u>\$ 58,114</u>	<u>\$ 1,280,462</u>	<u>\$ 3,401,198</u>	<u>\$ (1,524,083)</u>	<u>\$ (296,050)</u>	<u>\$ 3,083,080</u>

	Preferred Stock	Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Common Stock	Other Comprehensive (Loss) Income	Accumulated Stockholders' Total Equity
Balance, December 31, 2022	\$ —	\$ 163,439	\$ 58,114	\$ 1,296,572	\$ 3,589,781	\$ (1,556,029)	\$ (252,333)	\$ 3,299,544
Net income					587,185			587,185
Other comprehensive income							14,326	14,326
Dividends (including dividend equivalents):								
Common Stock, \$1.036 per share					(152,603)			(152,603)
Class B Common Stock, \$0.942 per share					(53,801)			(53,801)
Conversion of Class B Common Stock into Common Stock		1,000	(1,000)					—
Stock-based compensation				18,948				18,948
Exercise of stock options and incentive-based transactions				(30,108)		17,013		(13,095)
Repurchase of common stock (including excise tax)					(242,139)			(242,139)
Balance, April 2, 2023	<u>\$ —</u>	<u>\$ 164,439</u>	<u>\$ 57,114</u>	<u>\$ 1,285,412</u>	<u>\$ 3,970,562</u>	<u>\$ (1,781,155)</u>	<u>\$ (238,007)</u>	<u>\$ 3,458,365</u>

See Notes to Unaudited Consolidated Financial Statements.

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands, except share data or if otherwise indicated)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited consolidated financial statements provided in this report include the accounts of The Hershey Company (the "Company," "Hershey," "we" or "us") and our majority-owned subsidiaries and entities in which we have a controlling financial interest after the elimination of intercompany accounts and transactions. We have a controlling financial interest if we own a majority of the outstanding voting common stock and minority shareholders do not have substantive participating rights, we have significant control through contractual or economic interests in which we are the primary beneficiary or we have the power to direct the activities that most significantly impact the entity's economic performance. We use the equity method of accounting when we have a 20% to 50% interest in other companies and exercise significant influence. Other investments that are not controlled, and over which we do not have the ability to exercise significant influence, are accounted for under the cost method. Both equity and cost method investments are included as Other non-current assets in the Consolidated Balance Sheets.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial reporting and with the rules and regulations for reporting on Form 10-Q. Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. The financial statements reflect all adjustments (consisting of normal recurring adjustments) which are, in our opinion, necessary for a fair presentation of the results of operations, financial position, and cash flows for the indicated periods.

Operating results for the quarter ended **October 1, 2023** **March 31, 2024** may not be indicative of the results that may be expected for the year ending **December 31, 2023** **December 31, 2024** because of seasonal effects on our business. These financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023** (our **"2022" "2023** Annual Report on Form 10-K"), which provides a more complete understanding of our accounting policies, financial position, operating results and other matters.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In September 2022, the **FASB** **Financial Accounting Standards Board** ("FASB") issued **ASU** **Accounting Standards Update** ("ASU") No. 2022-04, *Liabilities—Supplier Finance Programs (Subtopic 405-50)*:

Disclosure of Supplier Finance Program Obligations. This ASU requires a buyer in a supplier finance program to disclose qualitative and quantitative information about the program including the program's nature, activity during the period, changes from period to period and potential magnitude. ASU 2022-04 is effective for annual periods beginning after December 15, 2022 and interim periods within those annual periods. A rollforward of obligations during the annual period, including the amount of obligations confirmed and obligations subsequently paid, is effective for annual periods beginning after December 15, 2023 with early adoption permitted. This ASU should be applied retrospectively to each period in which a balance sheet is presented, except for the amendment on rollforward information, which should be applied prospectively. We early adopted provisions of this ASU in the fourth quarter of 2022, with the exception of the amendment on rollforward information, which **will be** **we** adopted in the fourth quarter of 2023. **As a result** **Adoption** of the **adoption of this** **new standard** **we made the required disclosures in the** **did not have a material impact on our** **consolidated financial statements.**

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers.* This ASU requires an acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with *Revenue from Contracts with Customers (Topic 606)* rather than adjust them to fair value at the acquisition date. ASU 2021-08 is effective for annual periods beginning after December 15, 2022 and interim periods within those annual periods. This ASU should be applied prospectively to business combinations occurring on or after the date of adoption. As a result, we adopted the provisions of this ASU in the first quarter of 2023. This new standard was not applicable to the May 2023 acquisition of **Weaver Popcorn Manufacturing, Inc.** ("Weaver") due to no **contract assets or liabilities** (as discussed in [Note 2](#)); however, will be applied in relevant future acquisitions.

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

Recently Issued Accounting Pronouncements Not Yet Adopted

In March November 2023, the FASB issued ASU No. 2023-02, 2023-07, *Investments - Equity Method and Joint Ventures Segment Reporting (Topic 323) 280: Accounting for Investments in tax credit structures using the proportional amortization method. Improvements to Reportable Segment Disclosures*. This ASU allows entities to require disclosure of significant segment expenses that are regularly provided to elect the proportional amortization method chief operating decision maker ("CODM"), an amount for all tax equity investments, regardless of how the tax credits are received as long as certain criteria are met. This ASU may be applied in other segment items with a modified retrospective or retrospective basis and an entity must evaluate the investments in which it still expects to receive tax credits or other income tax benefits as description of the beginning composition, and disclosure of the earliest period presented, title and position of the CODM. ASU 2023-02 2023-07 is effective for annual periods beginning after December 15, 2023 and interim periods within those annual periods, fiscal years beginning after December 15, 2024. Early adoption is permitted and the update should be applied retrospectively to each period presented in the financial statements. We are currently evaluating the impact of the new standard on our consolidated financial statements and related disclosures. As a result, we intend to adopt the provisions of this ASU in the fourth quarter of 2024.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU requires public business entities on an annual basis to disclose specific categories in a tabular rate reconciliation and provide additional information for reconciling items that meet a five percent quantitative threshold. Additionally, the ASU requires all entities to disclose the amount of income taxes paid disaggregated by federal, state, and foreign taxes, as well as individual jurisdictions where income taxes paid are equal to or greater than five percent of total income taxes paid. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. Early adoption is permitted and the update should be applied on a prospective basis, with a retrospective application permitted in the financial statements. We are currently evaluating the impact of the new standard on our consolidated financial statements and related disclosures. As a result, we intend to adopt the provisions of this ASU in the fourth quarter of 2025.

No other new accounting pronouncement issued or effective during the fiscal year had or is expected to have a material impact on our consolidated financial statements or disclosures.

2. BUSINESS ACQUISITIONS

Manufacturing Capacity

On May 31, 2023, we completed the acquisition of certain assets that provide additional manufacturing capacity from Weaver, Popcorn Manufacturing, Inc. ("Weaver"), a leader in the production and co-packing of microwave popcorn and ready-to-eat popcorn, and former co-manufacturer of the Company's SkinnyPop brand. The initial cash consideration paid for Weaver totaled \$165,818 and consisted of cash on hand and short-term borrowings. Acquisition-related costs for the Weaver acquisition were immaterial.

The acquisition has been accounted for as a business combination and, accordingly, Weaver has been included within the North America Salty Snacks segment from the date of acquisition. The preliminary purchase consideration was allocated to assets acquired and liabilities assumed based on their respective fair values and consisted of \$85,231 to goodwill, \$79,136 to property, plant and equipment, net and \$1,451 to other net assets acquired. We are in the process of evaluating additional information necessary to finalize the valuation of assets acquired and liabilities assumed. The purchase price allocation has been finalized as of the acquisition date including, but fourth quarter of 2023 and did not limited to, post-closing include measurement period adjustments. The final fair value determination is not expected to result in material adjustments to our preliminary purchase price allocation, including goodwill. We expect to finalize the purchase price allocation by the end of 2023.

Goodwill was determined as the excess of the purchase price over the fair value of the net assets acquired. The goodwill derived from this acquisition is deductible for tax purposes and reflects the value of leveraging our supply chain capabilities to accelerate growth and access to our portfolio of salty snacks products.

Pretzels Inc.

On December 14, 2021, we completed the acquisition of Pretzels Inc. ("Pretzels"), previously a privately held company that manufactures and sells pretzels and other salty snacks for other branded products and private labels in the United States. Pretzels is an industry leader in the pretzel category with a product portfolio that includes filled, gluten free and seasoned pretzels, as well as extruded snacks that complements Hershey's snacks portfolio. Based in Bluffton, Indiana, Pretzels operates three manufacturing locations in Indiana and Kansas. Pretzels provides Hershey deep pretzel category and product expertise and the manufacturing capabilities to support brand growth and future pretzel innovation. The cash consideration paid for Pretzels totaled \$304,334 and consisted of cash on hand and short-term borrowings. Acquisition-related costs for the Pretzels acquisition were immaterial.

The acquisition has been accounted for as a business combination and, accordingly, Pretzels has been included within the North America Salty Snacks segment from the date of acquisition. The purchase consideration was allocated to assets acquired and liabilities assumed based on their respective fair values as follows:

The Hershey Company | Q3 2023 Form 10-Q | Page 9

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THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

Goodwill	\$	166,191
Other intangible assets		26,100
Current assets acquired		30,835
Property, plant and equipment, net		100,716
Other non-current assets, primarily operating lease ROU assets		111,787
Deferred income taxes		773
Current liabilities acquired		(22,713)
Other long-term liabilities, primarily operating lease liabilities		(109,355)
Net assets acquired	\$	304,334

The purchase price allocation presented above has been finalized as of the third quarter of 2022. The measurement period adjustments to the initial allocation were immaterial and based on more detailed information obtained about the specific assets acquired and liabilities assumed, specifically, post-closing adjustments to the working capital acquired including certain holdbacks.

Goodwill was determined as the excess of the purchase price over the fair value of the net assets acquired (including the identifiable intangible assets). A portion of goodwill derived from this acquisition is deductible for tax purposes and reflects the value of leveraging our brand building expertise, supply chain capabilities and retail relationships to accelerate growth and access to the portfolio of Pretzels' products.

Other intangible assets include trademarks valued at \$5,700 and customer relationships valued at \$20,400. Trademarks were assigned an estimated useful life of five years and customer relationships were assigned an estimated useful life of 19 years.

Dot's Pretzels, LLC

On December 13, 2021, we completed the acquisition of Dot's Pretzels, LLC ("Dot's"), previously a privately held company that produces and sells pretzels and other snack food products to retailers and distributors in the United States, with *Dot's Homestyle Pretzels* snacks as its primary product. Dot's is the fastest-growing scale brand in the pretzel category and complements Hershey's snacks portfolio. The cash consideration paid for Dot's totaled \$891,169 and consisted of cash on hand and short-term borrowings. Acquisition-related costs for the Dot's acquisition were immaterial.

The acquisition has been accounted for as a business combination and, accordingly, Dot's has been included within the North America Salty Snacks segment from the date of acquisition. The purchase consideration was allocated to assets acquired and liabilities assumed based on their respective fair values as follows:

The Hershey Company | Q3 2023 Form 10-Q | Page 10

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THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

Goodwill	\$	284,427
Other intangible assets		543,100
Current assets acquired		51,121
Property, plant and equipment, net		40,266
Other non-current assets		2,201
Other liabilities assumed, primarily current liabilities		(29,946)
Net assets acquired	\$	891,169

The purchase price allocation presented above has been finalized as of the third quarter of 2022. The measurement period adjustments to the initial allocation were immaterial and based on more detailed information obtained about the specific assets acquired and liabilities assumed, specifically, the refinement of certain assumptions in the value of customer relationships based on an analysis of historical customer-specific data and post-closing adjustments to the working capital acquired including certain holdbacks.

Goodwill was determined as the excess of the purchase price over the fair value of the net assets acquired (including the identifiable intangible assets). The goodwill derived from this acquisition is deductible for tax purposes and reflects the value of leveraging our brand building expertise, supply chain capabilities and retail relationships to accelerate growth and access to the portfolio of Dot's products.

Other intangible assets include trademarks valued at \$336,600 and customer relationships valued at \$206,500. Trademarks were assigned an estimated useful life of 33 years and customer relationships were assigned an estimated useful life of 18 years.

3. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying value of goodwill by reportable segment for the **nine** three months ended **October 1, 2023** **March 31, 2024** are as follows:

	North America Confectionery	North America Salty Snacks	International	Total
Balance at December 31, 2022	\$ 2,018,430	\$ 571,771	\$ 16,755	\$ 2,606,956
Acquired during the period (see Note 2)	—	85,231	—	85,231
Foreign currency translation	(154)	—	1,149	995
Balance at October 1, 2023	<u>\$ 2,018,276</u>	<u>\$ 657,002</u>	<u>\$ 17,904</u>	<u>\$ 2,693,182</u>

	North America Confectionery	North America Salty Snacks	International	Total
Balance at December 31, 2023	\$ 2,020,831	\$ 657,001	\$ 18,218	\$ 2,696,050
Foreign currency translation	(2,379)	—	250	(2,129)
Balance at March 31, 2024	<u>\$ 2,018,452</u>	<u>\$ 657,001</u>	<u>\$ 18,468</u>	<u>\$ 2,693,921</u>

The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Page **118**



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THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

The following table provides the gross carrying amount and accumulated amortization for each major class of intangible asset:

		October 1, 2023		December 31, 2022		March 31, 2024		March 31, 2024		December 31, 2023	
				Gross				Gross			
		Gross Carrying Amount	Accumulated Amortization	Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangible assets subject to amortization:	Intangible assets subject to amortization:										
Trademarks	Trademarks	Trademarks	\$ 1,701,863	\$ (227,276)	\$ 1,701,932	\$ (190,045)	Trademarks	\$ 1,701,863	\$ (227,276)	\$ 1,701,932	\$ (190,045)
Customer-related	Customer-related	Customer-related	513,142	(115,697)	513,188	(93,495)	Customer-related	513,142	(115,697)	513,188	(93,495)
Patents	Patents	Patents	8,041	(8,041)	8,053	(8,053)	Patents	8,041	(8,041)	8,053	(8,053)
Total	Total	Total	2,223,046	(351,014)	2,223,173	(291,593)	Total	2,223,046	(351,014)	2,223,173	(291,593)
Intangible assets not subject to amortization:	Intangible assets not subject to amortization:	Intangible assets not subject to amortization:					Intangible assets not subject to amortization:				
Trademarks	Trademarks	Trademarks					Trademarks				

Trademarks	Trademarks	35,339	34,689
Total other intangible assets	Total other intangible assets	\$ 1,907,371	\$1,966,269
Total other intangible assets			
Total other intangible assets			

Total amortization expense for the three months ended **October 1, 2023** **March 31, 2024** and **October 2, 2022** **April 2, 2023** was **\$19,882** **\$19,554** and **\$19,909**, respectively. Total amortization expense for the nine months ended October 1, 2023 and October 2, 2022 was \$59,620 and \$59,827, **\$19,177**, respectively.

4. SHORT AND LONG-TERM DEBT

Short-term Debt

As a source of short-term financing, we utilize cash on hand and commercial paper or bank loans with an original maturity of three months or less. We maintain a \$1.35 billion unsecured revolving credit facility with the option to increase borrowings by an additional \$500 million with the consent of the lenders. The credit facility is scheduled to expire on April 26, 2028; however, we may extend the termination date for up to two additional one-year periods upon notice to the administrative agent.

The credit agreements governing the credit facility contain certain financial and other covenants, customary representations, warranties and events of default. As of **October 1, 2023** **March 31, 2024**, we were in compliance with all covenants pertaining to the credit facility, and we had no significant compensating balance agreements that legally restricted access to these funds. For more information, refer to the Consolidated Financial Statements included in our **2022** **2023** Annual Report on Form 10-K.

In addition to the revolving credit facility, we maintain lines of credit with domestic and international commercial banks. Commitment fees relating to our revolving credit facility and lines of credit are not material. Short-term debt consisted of the following:

	October 1, 2023	December 31, 2022	March 31, 2024	March 31, 2024	December 31, 2023
	March 31, 2024				
Short-term foreign bank borrowings against lines of credit	\$ 181,988	\$ 135,555	Short-term foreign bank borrowings against lines of credit	\$ 208,163	\$ 192,278
U.S. commercial paper	637,892	558,235	U.S. commercial paper	1,081,485	527,561
Total short-term debt	\$ 819,880	\$ 693,790	Total short-term debt	\$ 1,289,648	\$ 719,839
Weighted average interest rate on outstanding commercial paper	5.4	% 4.3	% Weighted average interest rate on outstanding commercial paper	5.4	%

The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Page **129**



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THE HERSHEY COMPANY NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued) (amounts in thousands, except share data or if otherwise indicated)

Long-term Debt

Long-term debt consisted of the following:

Debt Type and Rate	Maturity Date	October 1, 2023	December 31, 2022
2.625% Notes (1)	May 1, 2023	—	250,000
3.375% Notes (1)	May 15, 2023	—	500,000

2.050% Notes	November 15, 2024	300,000	300,000
0.900% Notes	June 1, 2025	300,000	300,000
3.200% Notes	August 21, 2025	300,000	300,000
2.300% Notes	August 15, 2026	500,000	500,000
7.200% Debentures	August 15, 2027	193,639	193,639
4.250% Notes (2)	May 4, 2028	350,000	—
2.450% Notes	November 15, 2029	300,000	300,000
1.700% Notes	June 1, 2030	350,000	350,000
4.500% Notes (2)	May 4, 2033	400,000	—
3.375% Notes	August 15, 2046	300,000	300,000
3.125% Notes	November 15, 2049	400,000	400,000
2.650% Notes	June 1, 2050	350,000	350,000
Finance lease obligations (see Note 7)		72,696	73,479
Net impact of interest rate swaps, debt issuance costs and unamortized debt discounts		(22,457)	(19,563)
Total long-term debt		4,093,878	4,097,555
Less—current portion		7,791	753,578
Long-term portion	\$	4,086,087	\$ 3,343,977

(1) In May 2023, we repaid \$250,000 of 2.625% Notes and \$500,000 of 3.375% Notes due upon their maturity.

(2) During the second quarter of 2023, we issued \$350,000 of 4.250% Notes due in May 2028 and \$400,000 of 4.500% Notes due in May 2033 (the "2023 Notes"). Proceeds from the issuance of the 2023 Notes, net of discounts and issuance costs, totaled \$744,092. The 2023 Notes were issued under a shelf registration on Form S-3 filed in May 2021 that registered an indeterminate amount of debt securities.

Debt Type and Rate	Maturity Date	March 31, 2024	December 31, 2023
2.050% Notes	November 15, 2024	300,000	300,000
0.900% Notes	June 1, 2025	300,000	300,000
3.200% Notes	August 21, 2025	300,000	300,000
2.300% Notes	August 15, 2026	500,000	500,000
7.200% Debentures	August 15, 2027	193,639	193,639
4.250% Notes	May 4, 2028	350,000	350,000
2.450% Notes	November 15, 2029	300,000	300,000
1.700% Notes	June 1, 2030	350,000	350,000
4.500% Notes	May 4, 2033	400,000	400,000
3.375% Notes	August 15, 2046	300,000	300,000
3.125% Notes	November 15, 2049	400,000	400,000
2.650% Notes	June 1, 2050	350,000	350,000
Finance lease obligations (see Note 7)		76,729	76,385
Net impact of interest rate swaps, debt issuance costs and unamortized debt discounts		(24,930)	(25,834)
Total long-term debt		4,095,438	4,094,190
Less—current portion		305,425	305,058
Long-term portion	\$	3,790,013	\$ 3,789,132

Interest Expense

Net interest expense consists of the following:

	Three Months Ended	Nine Months Ended	
	October 1, 2023	October 2, 2023	October 1, 2022
	October 2, 2022		October 2, 2022
Three Months Ended			
Three Months Ended			
Three Months Ended			
March 31, 2024			March 31, 2024
			April 2, 2023

Interest expense	Interest expense	\$ 45,776	\$38,520	\$132,175	\$109,526
Capitalized interest	Capitalized interest	(3,932)	(2,487)	(10,720)	(6,155)
Interest expense	Interest expense	41,844	36,033	121,455	103,371
Interest income	Interest income	(2,089)	(655)	(7,354)	(1,401)
Interest expense, net	Interest expense, net	\$ 39,755	\$35,378	\$114,101	\$101,970

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

5. DERIVATIVE INSTRUMENTS

We are exposed to market risks arising principally from changes in foreign currency exchange rates, interest rates and commodity prices. We use certain derivative instruments to manage these risks. These include interest rate swaps to manage interest rate risk, foreign currency forward exchange contracts to manage foreign currency exchange rate risk, and commodities futures and options contracts to manage commodity market price risk exposures.

In entering into these contracts, we have assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. We mitigate this risk by entering into exchange-traded contracts with collateral posting requirements and/or by performing financial assessments prior to contract execution, conducting periodic evaluations of counterparty performance and maintaining a diverse portfolio of qualified counterparties. We do not expect any significant losses from counterparty defaults.

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

Commodity Price Risk

We enter into commodities futures and options contracts and other commodity derivative instruments to reduce the effect of future price fluctuations associated with the purchase of raw materials, energy requirements and transportation services. We generally hedge commodity price risks for 3- to 24-month periods. Our open commodity derivative contracts had a notional value of \$155,320 \$206,349 as of **October 1, 2023** March 31, 2024 and \$243,009 \$94,917 as of **December 31, 2022** December 31, 2023.

Derivatives used to manage commodity price risk are not designated for hedge accounting treatment. Therefore, the changes in fair value of these derivatives are recorded as incurred within cost of sales. As discussed in [Note 13](#), we define our segment income to exclude gains and losses on commodity derivatives until the related inventory is sold, at which time the related gains and losses are reflected within segment income. This enables us to continue to align the derivative gains and losses with the underlying economic exposure being hedged and thereby eliminate the mark-to-market volatility within our reported segment income.

Foreign Exchange Price Risk

We are exposed to foreign currency exchange rate risk related to our international operations, including non-functional currency intercompany debt and other non-functional currency transactions of certain subsidiaries. Principal currencies hedged include the euro, Canadian dollar, Japanese yen, British pound, Brazilian real, Malaysian ringgit, Mexican peso and Swiss franc. We typically utilize foreign currency forward exchange contracts to hedge these exposures for periods ranging from 3 to 12 months. The contracts are either designated as cash flow hedges or are undesignated. The net notional amount of foreign exchange contracts accounted for as cash flow hedges was \$76,824 \$50,648 at **October 1, 2023** March 31, 2024 and \$59,448 \$80,068 at **December 31, 2022** December 31, 2023. The effective portion of the changes in fair value on these contracts is recorded in other comprehensive income and reclassified into earnings in the same period in which the hedged transactions affect earnings. The net notional amount of foreign exchange contracts that are not designated as accounting hedges was \$19,172 \$10,339 at **October 1, 2023** March 31, 2024 and \$1,843 \$13,665 at **December 31, 2022** December 31, 2023. The change in fair value on these instruments is recorded directly in cost of sales or selling, marketing and administrative ("SM&A") expense, depending on the nature of the underlying exposure.

Interest Rate Risk

In order to manage interest rate exposure, from time to time, we enter into interest rate swap agreements to protect against unfavorable interest rate changes relating to forecasted debt transactions. These swaps, which are settled upon issuance of the related debt, are designated as cash flow hedges and the gains and losses that are deferred in other comprehensive income are being recognized as an adjustment to interest expense over the same period that the hedged interest payments affect earnings.

Equity Price Risk

We are exposed to market price changes in certain broad market indices related to our deferred compensation obligations to our employees. To mitigate this risk, we use equity swap contracts to hedge the portion of the exposure that is linked to market-level equity returns. These contracts are not designated as hedges for accounting purposes and are entered into for periods of 3 to 12 months. The change in fair value of these derivatives is recorded in selling, marketing and administrative expense, together with the change in the related liabilities. The notional amount of the contracts outstanding at **October 1, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** was **\$23,641** **\$25,004** and **\$18,803**, **\$22,867**, respectively.

The Hershey Company | **Q3 2023** **Q1 2024** Form 10-Q | Page **14** **11**



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THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

The following table presents the classification of derivative assets and liabilities within the Consolidated Balance Sheets as of **October 1, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

	March 31, 2024		March 31, 2024		December 31, 2023	
	Assets (1)		Assets (1)	Liabilities (1)	Assets (1)	Liabilities (1)
Derivatives designated as cash flow hedging instruments:						
		December 31, October 1, 2023	2022			
Foreign exchange contracts		Assets (1)	Liabilities (1)	Assets (1)	Liabilities (1)	
Derivatives designated as cash flow hedging instruments:						
Foreign exchange contracts						
Foreign exchange contracts		\$ 3,080	\$ 3,022	\$ 3,921	\$ 261	
Derivatives not designated as hedging instruments:						
Derivatives not designated as hedging instruments:						
Commodities futures and options (2)						
Commodities futures and options (2)						

Commodities futures and options (2)	Commodities futures and options (2)	874	3,861	685	662
Deferred compensation derivatives	Deferred compensation derivatives	1,776	—	1,222	—
Foreign exchange contracts	Foreign exchange contracts	116	59	246	—
		2,766	3,920	2,153	662
		4,840			
Total	Total	\$ 5,846	\$ 6,942	\$ 6,074	\$ 923

(1) Derivative assets are classified on our Consolidated Balance Sheets within prepaid expenses and other as well as other non-current assets. Derivative liabilities are classified on our Consolidated Balance Sheets within accrued liabilities and other long-term liabilities.

(2) As of **October 1, 2023** **March 31, 2024**, amounts reflected on a net basis in liabilities were assets of **\$36,052** **\$54,461** and liabilities of **\$36,023**, **\$52,990**, which are associated with cash transfers receivable or payable on commodities futures contracts reflecting the change in quoted market prices on the last trading day for the period. The comparable amounts reflected on a net basis in liabilities at **December 31, 2022** **December 31, 2023** were assets of **\$25,308** **\$29,881** and liabilities of **\$25,296**, **\$30,493**. At **October 1, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, the remaining amount reflected in assets and liabilities related to the fair value of other non-exchange traded derivative instruments, respectively.

Income Statement Impact of Derivative Instruments

The effect of derivative instruments on the Consolidated Statements of Income for the three months ended **October 1, 2023** **March 31, 2024** and **October 2, 2022** **April 2, 2023** was as follows:

	Non-designated Hedges				Cash Flow Hedges			
	Gains (losses) recognized in income (a)		Gains (losses) recognized in other comprehensive income ("OCI")		Gains (losses) reclassified from accumulated OCI ("AOCI") into income (b)			
	2023		2022		2023		2022	
	\$	17,103	\$	(14,044)	\$	—	\$	—
Commodities futures and options	\$	17,103	\$	(14,044)	\$	—	\$	—
Foreign exchange contracts		(583)		(39)		2,945		891
Interest rate swap agreements		—		—		—		(1,924)
Deferred compensation derivatives		(1,103)		(1,098)		—		421
Total	\$	15,417	\$	(15,181)	\$	2,945	\$	891

The Hershey Company | Q3 2023 Form 10-Q | Page 15

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THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

The effect of derivative instruments on the Consolidated Statements of Income for the nine months ended **October 1, 2023** and **October 2, 2022** was as follows:

Non-designated Hedges		Cash Flow Hedges			
		Gains (losses) recognized in other comprehensive income ("OCI")		Gains (losses) reclassified from accumulated OCI ("AOCI") into income (b)	
Gains (losses) recognized in income (a)	other comprehensive income ("OCI")	2023	2022	2023	2022
2023	2022	2023	2022	2023	2022
Non-designated Hedges					

		Non-designated Hedges				Cash Flow Hedges	
		Non-designated Hedges					
		Gains (losses) recognized in income (a)					
		2024					
		2024					
		2024					
Commodities futures and options							
Commodities futures and options							
Commodities futures and options	Commodities futures and options	\$ 52	\$ 28,027	\$ —	\$ —	\$ —	\$ —
Foreign exchange contracts	Foreign exchange contracts	359	(173)	(3,711)	245	(196)	(956)
Foreign exchange contracts							
Foreign exchange contracts							
Interest rate swap agreements							
Interest rate swap agreements							
Interest rate swap agreements	Interest rate swap agreements	—	—	3,173	—	(13,255)	(8,187)
Deferred compensation derivatives	Deferred compensation derivatives	1,776	(6,142)	—	—	—	—
Deferred compensation derivatives							
Deferred compensation derivatives							
Total	Total	\$ 2,187	\$ 21,712	\$ (538)	\$ 245	\$ (13,451)	\$ (9,143)
Total							
Total							

(a) Gains (losses) recognized in income for non-designated commodities futures and options contracts were included in cost of sales. Gains (losses) recognized in income for non-designated foreign currency forward exchange contracts and deferred compensation derivatives were included in selling, marketing and administrative expenses.

(b) Gains (losses) reclassified from AOCI into income for foreign currency forward exchange contracts were included in selling, marketing and administrative expenses. Losses reclassified from AOCI into income for interest rate swap agreements were included in interest expense.

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

The amount of pre-tax net losses on derivative instruments, including interest rate swap agreements and foreign currency forward exchange contracts expected to be reclassified into earnings in the next 12 months was approximately \$17,930 \$8,761 as of October 1, 2023 March 31, 2024. This amount is primarily associated with interest rate swap agreements.

6. FAIR VALUE MEASUREMENTS

Accounting guidance on fair value measurements requires that financial assets and liabilities be classified and disclosed in one of the following categories of the fair value hierarchy:

Level 1 – Based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2 – Based on observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Based on unobservable inputs that reflect the entity's own assumptions about the assumptions that a market participant would use in pricing the asset or liability.

We did not have any Level 3 financial assets or liabilities, nor were there any transfers between levels during the periods presented.

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

The following table presents assets and liabilities that were measured at fair value in the Consolidated Balance Sheets on a recurring basis as of **October 1, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**:

	Assets / Liabilities				Assets / Liabilities	
	Level	Level 1	Level 2	3	Total	
October 1, 2023:						
	Assets / Liabilities					
Level						
	1					
March 31, 2024:						
Derivative Instruments:						
Derivative Instruments:						
Derivative Instruments:	Derivative Instruments:					
Assets:	Assets:					
Assets:						
Assets:						
Foreign exchange contracts (1)						
Foreign exchange contracts (1)						
Foreign exchange contracts (1)	Foreign exchange contracts (1)	\$	—	\$ 1,390	\$ —	\$ 1,390
Deferred compensation derivatives (2)						
Deferred compensation derivatives (2)						
Deferred compensation derivatives (2)	Deferred compensation derivatives (2)	\$	—	\$ 1,103	\$ —	\$ 1,103
Commodities futures and options (3)						
Commodities futures and options (3)						
Commodities futures and options (3)	Commodities futures and options (3)	\$	874	\$ —	\$ —	\$ 874
Liabilities:	Liabilities:					
Liabilities:						
Foreign exchange contracts (1)	Foreign exchange contracts (1)	\$	—	\$ 5,561	\$ —	\$ 5,561

Foreign exchange contracts (1)							
Foreign exchange contracts (1)						\$ 1,869	\$ 1,869
Commodities futures and options (3)	Commodities futures and options (3)	\$ 3,861	\$ —	\$ —	\$ 3,861		
December 31, 2022:							
Commodities futures and options (3)							
Commodities futures and options (3)						\$ 1,702	\$ —
December 31, 2023:							
Assets:							
Assets:							
Assets: Foreign exchange contracts (1)	Assets: Foreign exchange contracts (1)	\$ —	\$ 4,167	\$ —	\$ 4,167		
Foreign exchange contracts (1)							
Foreign exchange contracts (1)						\$ —	\$ 2,342
Deferred compensation derivatives (2)							
Deferred compensation derivatives (2)							
Deferred compensation derivatives (2)	Deferred compensation derivatives (2)	\$ —	\$ 1,222	\$ —	\$ 1,222	\$ —	\$ 2,343
Commodities futures and options (3)	Commodities futures and options (3)	\$ 685	\$ —	\$ —	\$ 685	Commodities futures and options (3)	\$ 66
Liabilities:							
Liabilities:							
Liabilities: Foreign exchange contracts (1)	Liabilities: Foreign exchange contracts (1)	\$ —	\$ 261	\$ —	\$ 261		
Foreign exchange contracts (1)							
Foreign exchange contracts (1)						\$ —	\$ 1,670
Commodities futures and options (3)	Commodities futures and options (3)	\$ 662	\$ —	\$ —	\$ 662		
Commodities futures and options (3)							
Commodities futures and options (3)						\$ 679	\$ —

(1) The fair value of foreign currency forward exchange contracts is the difference between the contract and current market foreign currency exchange rates at the end of the period. We estimate the fair value of foreign currency forward exchange contracts on a quarterly basis by obtaining market quotes of spot and forward rates for contracts with similar terms, adjusted where necessary for maturity differences.

(2) The fair value of deferred compensation derivatives is based on quoted prices for market interest rates and a broad market equity index.

(3) The fair value of commodities futures and options contracts is based on quoted market prices.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

Other Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and short-term debt approximated fair values as of **October 1, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** because of the relatively short maturity of these instruments.

The estimated fair value of our long-term debt is based on quoted market prices for similar debt issues and is, therefore, classified as Level 2 within the valuation hierarchy. The fair values and carrying values of long-term debt, including the current portion, were as follows:

	Fair Value		Carrying Value		
	October 1, 2023	December 31, 2022	October 1, 2023	December 31, 2022	
	Fair Value				
Current portion of long-term debt	Current debt	Current debt	Current portion of long-term debt	Current portion of long-term debt	March 31, 2024
Long-term debt	Long-term debt	Long-term debt	Long-term debt	Long-term debt	December 31, 2023
Total	Total	Total	Total	Total	March 31, 2024
	\$ 7,791	\$ 749,345	\$ 7,791	\$ 753,578	\$ 299,074
					\$ 297,842
					\$ 305,425
					\$ 305,058

Other Fair Value Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, GAAP requires that, under certain circumstances, we also record assets and liabilities at fair value on a nonrecurring basis.

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

In connection with the acquisition of Weaver in May 2023, as discussed in [Note 2](#), we used valuation techniques to determine fair value, with the primary technique being the cost approach to value personal property, which uses significant unobservable inputs, or Level 3 inputs, as defined by the fair value hierarchy. Additionally, in connection with the acquisitions of Pretzels and Dot's in December 2021 and subsequent measurement period adjustments through the third quarter of 2022, as discussed in [Note 2](#), we used various valuation techniques to determine fair value, with the primary techniques being discounted cash flow analysis and the relief-from-royalty, a form of the multi-period excess earnings, which use significant unobservable inputs, or Level 3 inputs, as defined by the fair value hierarchy.

7. LEASES

We lease office and retail space, warehouse and distribution facilities, land, vehicles, and equipment. We determine if an agreement is or contains a lease at inception. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet.

Right-of-use ("ROU") assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and liabilities are based on the estimated present value of lease payments over the lease term and are recognized at the lease commencement date.

As most of our leases do not provide an implicit rate, we use our estimated incremental borrowing rate in determining the present value of lease payments. The estimated incremental borrowing rate is derived from information available at the lease commencement date.

Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. A limited number of our lease agreements include rental payments adjusted periodically for inflation. Our lease agreements generally do not contain residual value guarantees or material restrictive covenants.

For real estate, equipment and vehicles that support selling, marketing and general administrative activities, the Company accounts for the lease and non-lease components as a single lease component. These asset categories comprise the majority of our leases. The lease and non-lease components of real estate and equipment leases supporting production activities are not accounted for as a single lease component. Consideration for such contracts are allocated to the lease and non-lease components based upon relative standalone prices either observable or estimated if observable prices are not readily available.

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

The components of lease expense for the three months ended October 1, 2023 March 31, 2024 and October 2, 2022 were as follows:

Lease expense	Classification	Three Months Ended	
		October 1, 2023	October 2, 2022
Operating lease cost	Cost of sales or SM&A (1)	\$ 12,101	\$ 11,812
Finance lease cost:			
Amortization of ROU assets	Depreciation and amortization (1)	1,849	1,539
Interest on lease liabilities	Interest expense, net	1,095	1,030
Net lease cost (2)		\$ 15,045	\$ 14,381

The components of lease expense for the nine months ended October 1, 2023 and October 2, 2022 April 2, 2023 were as follows:

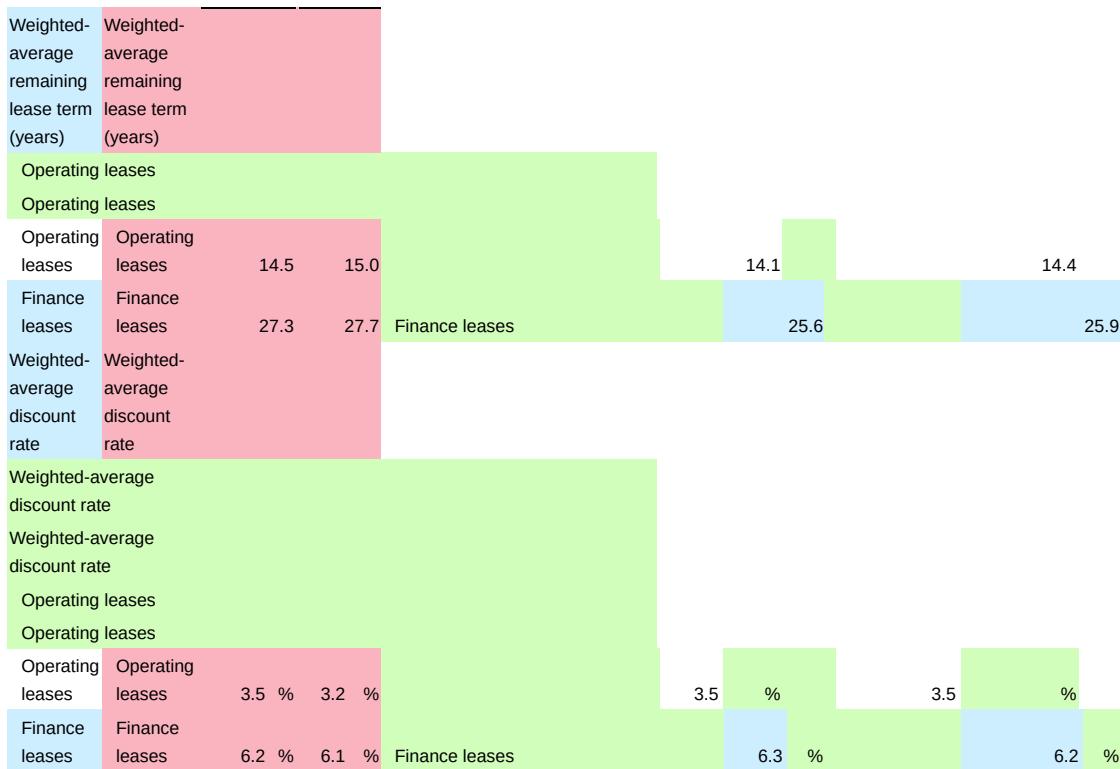
		Nine Months Ended			
		Three Months Ended			
Lease expense	Lease expense	Classification	October 1, 2023	October 2, 2022	Classification
Operating lease cost	Operating lease cost	Cost of sales or SM&A (1)	\$36,464	\$37,309	
Finance lease cost:	Finance lease cost:				
Amortization of ROU assets	Amortization of ROU assets	Depreciation and amortization (1)	5,545	4,989	
Amortization of ROU assets					
Amortization of ROU assets					
Interest on lease liabilities	Interest on lease liabilities	Interest expense, net	3,287	3,083	
Net lease cost (2)	Net lease cost (2)		\$45,296	\$45,381	

(1) Supply chain-related amounts were included in cost of sales.

(2) Net lease cost does not include short-term leases, variable lease costs or sublease income, all of which are immaterial.

Information regarding our lease terms and discount rates were as follows:

October 1, 2023	December 31, 2022	March 31, 2024	December 31, 2023



Supplemental balance sheet information related to leases were as follows:

Leases	Classification	March 31, 2024	December 31, 2023
Assets			
Operating lease ROU assets	Other non-current assets	\$ 307,664	\$ 307,976
Finance lease ROU assets, at cost	Property, plant and equipment, gross	89,759	89,335
Accumulated amortization	Accumulated depreciation	(20,810)	(19,472)
Finance lease ROU assets, net	Property, plant and equipment, net	68,949	69,863
Total leased assets		\$ 376,613	\$ 377,839
Liabilities			
Current			
Operating	Accrued liabilities	\$ 35,224	\$ 34,494
Finance	Current portion of long-term debt	6,254	5,900
Non-current			
Operating	Other long-term liabilities	276,417	277,089
Finance	Long-term debt	70,475	70,485
Total lease liabilities		\$ 388,370	\$ 387,968

The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Page 19/15

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THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

Supplemental balance sheet information related to leases were as follows:

Leases	Classification	October 1, 2023	December 31, 2022
Assets			
Operating lease ROU assets	Other non-current assets	\$ 315,524	\$ 326,472
Finance lease ROU assets, at cost	Property, plant and equipment, gross	86,129	86,703
Accumulated amortization	Accumulated depreciation	(18,570)	(14,543)
Finance lease ROU assets, net	Property, plant and equipment, net	67,559	72,160
Total leased assets		\$ 383,083	\$ 398,632
Liabilities			
Current			
Operating	Accrued liabilities	\$ 34,320	\$ 31,787
Finance	Current portion of long-term debt	4,659	4,285
Non-current			
Operating	Other long-term liabilities	283,967	294,849
Finance	Long-term debt	68,037	69,194
Total lease liabilities		\$ 390,983	\$ 400,115

The maturity of our lease liabilities as of **October 1, 2023** **March 31, 2024** were as follows:

	Operating leases	Finance leases	Total	
2023 (rest of year)	\$ 11,317	\$ 2,300	\$ 13,617	
2024	44,184	8,515	52,699	
Operating leases				
2024 (rest of year)				
2025	2025	30,800	6,471	37,271
2026	2026	26,212	4,257	30,469
2027	2027	25,653	4,065	29,718
2028				
Thereafter	Thereafter	267,948	142,022	409,970
Total lease payments	Total lease payments	406,114	167,630	573,744
Less: Imputed interest	Less: Imputed interest	87,827	94,934	182,761
Total lease liabilities	Total lease liabilities	\$318,287	\$72,696	\$390,983

Supplemental cash flow and other information related to leases were as follows:

	Nine Months Ended		
	October 1, 2023	October 2, 2022	
Three Months			
Ended			
March 31, 2024		March 31, 2024	April 2, 2023

Cash paid for amounts included in the measurement of lease liabilities:	Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	Operating cash flows from operating leases			
Operating cash flows from operating leases	Operating cash flows from operating leases	\$ 33,872	\$ 34,528	
Operating cash flows from finance leases	Operating cash flows from finance leases	3,287	3,083	
Financing cash flows from finance leases	Financing cash flows from finance leases	3,540	3,336	
ROU assets obtained in exchange for lease liabilities:	ROU assets obtained in exchange for lease liabilities:			
ROU assets obtained in exchange for lease liabilities:	ROU assets obtained in exchange for lease liabilities:			
Operating leases	Operating leases	\$ 16,857	\$ 6,629	
Finance leases	Finance leases	993	4,192	

The Hershey Company | Q3 2023 Form 10-Q | Page 20

0000047111-23-
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THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
^(amounts in thousands, except share data or if otherwise indicated)

8. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

We invest in partnerships that make equity investments in projects eligible to receive federal historic and renewable energy tax credits. The tax credits, when realized, are recognized as a reduction of tax expense under the flow-through method, at which time the corresponding equity investment is written-down to reflect the remaining value of the future benefits to be realized. The equity investment write-down is reflected within other (income) expense, net in the Consolidated Statements of Income (see [Note 17](#)).

Additionally, we acquire ownership interests in emerging snacking businesses and startup companies, which vary in method of accounting based on our percentage of ownership and ability to exercise significant influence over decisions relating to operating and financial affairs. These investments afford the Company the rights to distribute brands that the

Company does not own to third-party customers primarily in North America. Net sales and expenses of our equity method investees are not consolidated into our financial statements; rather, our proportionate share of earnings or losses are recorded on a net basis within other (income) expense, net in the Consolidated Statements of Income.

Both equity method investments and cost, method less impairment, investments are reported within other non-current assets in our Consolidated Balance Sheets. We regularly review our investments and adjust accordingly for capital contributions, dividends received and other-than-temporary impairments. Total investments in unconsolidated affiliates were \$126,325 \$190,419 and \$133,029 \$207,177 as of October 1, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

9. BUSINESS REALIGNMENT ACTIVITIES

We periodically undertake business realignment activities designed to increase our efficiency and focus our business in support of our key growth strategies. Costs associated with business realignment activities are classified in our Consolidated Statements of Income as follows:

	Nine Months				March 31, 2024	April 2, 2023			
	Three Months Ended		Ended						
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022					
Three Months Ended									
Three Months Ended									
March									
31, 2024									
Cost of sales	Cost of sales	\$ (506)	\$ (1)	\$ 527	\$ 3				
Selling, marketing and administrative expense	Selling, marketing and administrative expense	80	394	2,472	2,096				
Business realignment costs	Business realignment costs	—	—	441	274				
(Benefits) costs associated with business realignment activities		\$ (426)	\$ 393	\$ 3,440	\$ 2,373				
Costs associated with business realignment activities									

Costs recorded by program during the three and nine months ended October 1, 2023 March 31, 2024 and October 2, 2022 April 2, 2023 related to these activities were as follows:

	Three Months Ended		Nine Months Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022
International Optimization Program:				
Severance and employee benefit costs	\$ —	\$ 2	\$ 441	\$ 287
Other program costs	\$ (426)	\$ 391	\$ 2,999	\$ 2,086
Total	\$ (426)	\$ 393	\$ 3,440	\$ 2,373
Three Months Ended				

	March 31, 2024	April 2, 2023
Advancing Agility & Automation Initiative:		
Other program costs	16,666	—
International Optimization Program:		
Severance and employee benefit costs	\$ —	\$ 811
Other program costs	—	1,538
Total	\$ 16,666	\$ 2,349

Amounts classified as liabilities qualifying as exit and disposal costs primarily represent employee-related and certain third-party service provider charges, however, such amounts at **October 1, 2023** **March 31, 2024** are not significant.

Advancing Agility & Automation Initiative

On February 2, 2024, the Board of Directors of the Company approved a multi-year productivity initiative ("Advancing Agility & Automation" or "AAA") to improve supply chain and manufacturing-related spend, optimize selling, general and administrative expenses, leverage new technology and business models to further simplify and automate processes, and generate long-term savings.

The Company estimates that the AAA Initiative will result in total pre-tax costs of \$200,000 to \$250,000 from inception through 2026. This estimate primarily includes program office execution and third-party costs supporting the design and implementation of the new organizational structure of \$100,000 to \$120,000, as well as implementation and technology capability costs of \$55,000 to \$70,000. Additionally, we expect to incur employee severance and related separation benefits of \$45,000 to \$60,000 as we facilitate workforce reductions and reallocate resources to further drive the Company's strategic priorities. The cash portion of the total cost is estimated to be \$175,000 to \$225,000. At the conclusion of the program in 2026, ongoing annual savings are expected to be approximately \$300,000.

Since inception through March 31, 2024, we recognized total costs associated with the AAA Initiative of \$16,666. These charges predominantly included third-party costs supporting the design and implementation of the new organizational structure, as well as technology capability costs. The costs and related benefits of the AAA Initiative relate to the North America Confectionery segment and Corporate. However, segment operating results do not include these business realignment expenses because we evaluate segment performance excluding such costs.

2020 International Optimization Program

In the fourth quarter of 2020, we commenced a program ("International Optimization Program") to streamline resources and investments in select international markets, including the optimization of our China operating model that will improve our operational efficiency and provide for a strong, sustainable and simplified base going forward.

The Hershey Company | **Q3 2023** **Q1 2024** Form 10-Q | Page **21** **17**



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THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

The International Optimization Program was originally expected to total pre-tax costs of \$50,000 to \$75,000, with cash costs in the range of \$40,000 to \$65,000, primarily related to workforce reductions of approximately 350 positions outside of the United States, costs to consolidate and relocate production, and third-party costs incurred to execute these activities. The costs and related benefits of the International Optimization Program relate to the International segment. However, segment operating results do not include these business realignment expenses because we evaluate segment performance excluding such costs. **This program was completed in 2023.**

For the **nine** **three** months ended **October 1, 2023** and **October 2, 2022** **April 2, 2023**, we recognized total costs associated with the International Optimization Program of \$3,440 and \$2,373, respectively. These charges predominantly included third-party charges \$2,349. From program inception in support of our initiative to transform our China operating model, as well as severance and employee benefit costs. Since inception, 2020 through completion in 2023, we have incurred pre-tax charges to execute the program totaling \$53,799.

10. INCOME TAXES

The majority of our taxable income is generated in the United States and taxed at the United States statutory rate of 21%. The effective tax rates for the **nine** **three** months ended **October 1, 2023** **March 31, 2024** and **October 2, 2022** **April 2, 2023** were **18.3%** **19.1%** and **19.7%** **22.7%**, respectively. Relative to the statutory rate, the **2023** **2024** effective tax rate was primarily impacted by investment tax credits and employee share-based payments partially offset by state taxes and tax reserves.

The Company and its subsidiaries file tax returns in the United States, including various state and local returns, and in other foreign jurisdictions. We are routinely audited by taxing authorities in our filing jurisdictions, and a number of these disputes are currently underway, including multi-year controversies at various stages of review, negotiation and litigation in Mexico, Canada, Switzerland and the United States. The outcome of tax audits cannot be predicted with certainty, including the timing of resolution or potential settlements. If any issues addressed in our tax audits are resolved in a manner not consistent with management's expectations, we could be required to adjust our provision for income taxes in the period such resolution occurs. Based on our current assessments, we believe adequate provision has been made for all income tax uncertainties. We reasonably expect reductions in the liability for unrecognized tax benefits of approximately **\$24,628** **\$51,355** within the next 12 months because of the expiration of statutes of limitations and settlements of tax audits.

Inflation Reduction Act

On August 16, 2022, the Inflation Reduction Act ("IRA") was signed into law. The IRA enacted a 15% corporate minimum tax on certain corporations and an excise tax on share repurchases after December 31, 2022, and created and extended certain energy-related tax credits and incentives. For the **nine****three** months ended **October 1, 2023**, **March 31, 2024** and **April 2, 2023** the tax-related provisions of the IRA did not have a material impact on our consolidated financial statements, including our annual effective tax rate, or on our liquidity.

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

11. PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

Net Periodic Benefit Cost

The components of net periodic benefit cost for the three months ended **October 1, 2023** **March 31, 2024** and **October 2, 2022** **April 2, 2023** were as follows:

	Pension Benefits		Other Benefits	
	Three Months Ended		Three Months Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022
Service cost	\$ 3,747	\$ 4,028	\$ 57	\$ 80
Interest cost	10,259	8,810	1,794	1,154
Expected return on plan assets	(12,275)	(11,973)	—	—
Amortization of prior service credit	(1,414)	(1,413)	(13)	—
Amortization of net loss (gain)	4,974	4,563	(242)	26
Settlement loss	943	3,728	926	—
Total net periodic benefit cost	\$ 6,234	\$ 7,743	\$ 2,522	\$ 1,260

	Pension Benefits		Other Benefits	
	Three Months Ended		Three Months Ended	
	March 31, 2024	April 2, 2023	March 31, 2024	April 2, 2023
Service cost	\$ 3,849	\$ 3,753	\$ 34	\$ 54
Interest cost	9,687	10,272	1,218	2,093
Expected return on plan assets	(12,808)	(12,381)	—	—
Amortization of prior service credit	(1,373)	(1,414)	(38)	—
Amortization of net loss (gain)	3,813	4,967	139	(326)
Total net periodic benefit cost	\$ 3,168	\$ 5,197	\$ 1,353	\$ 1,821

We made contributions of **\$987** **\$816** and **\$5,314** **\$1,592** to the pension plans and other benefits plans, respectively, during the **third quarter** **first three months of 2023**, **2024**. In the **third quarter** **first three months of 2022**, **2023**, we made contributions of **\$824** **\$833** and **\$1,484** **\$5,699** to our pension plans and other benefit plans, respectively. The contributions in **2023** **2024** and **2022** **2023** also included benefit payments from our non-qualified pension plans and post-retirement benefit plans.

The components of net periodic benefit cost for the nine months ended **October 1, 2023** and **October 2, 2022** were as follows:

	Pension Benefits		Other Benefits	
	Nine Months Ended		Nine Months Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022
Service cost	\$ 11,269	\$ 13,639	\$ 166	\$ 238
Interest cost	30,819	20,438	5,984	3,467
Expected return on plan assets	(37,041)	(36,788)	—	—
Amortization of prior service credit	(4,243)	(4,238)	(13)	—
Amortization of net loss	14,961	10,402	(901)	77
Settlement loss	5,332	14,104	926	—
Total net periodic benefit cost	\$ 21,097	\$ 17,557	\$ 6,162	\$ 3,782

We made contributions of \$4,849 and \$16,224 to the pension plans and other benefits plans, respectively, during the first nine months of 2023. In the first nine months of 2022, we made contributions of \$4,580 and \$12,059 to our pension plans and other benefit plans, respectively. The contributions in 2023 and 2022 also included benefit payments from our non-qualified pension plans and post-retirement benefit plans.

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

The non-service cost components of net periodic benefit cost relating to pension and other post-retirement benefit plans is reflected within other (income) expense, net in the Consolidated Statements of Income (see [Note 17](#)).

During the first nine months of 2023, we recognized pension settlement charges in our hourly retirement plan due to lump sum withdrawals by employees retiring or leaving the Company. The non-cash settlement charges, which represent the acceleration of a portion of the respective plan's accumulated unrecognized actuarial loss, were triggered when the cumulative lump sum distributions exceeded the plan's anticipated annual service and interest costs. In connection with the third quarter 2023 settlements, the related plan assets and liabilities were remeasured using a discount rate as of the remeasurement date that was 53 basis points higher than the rate as of December 31, 2022 and an expected rate of return on plan assets of 6.3%, which was consistent with the rate as of December 31, 2022.

Annuitization of Other Post Employment Benefits

On August 21, 2023, the Hershey Employee Benefits Committee approved the purchase of an irrevocable group annuity contract with an insurance company for eligible retirees of The Hershey Company Retiree Medical and Life Insurance Plan to cover their medical benefits. On August 31, 2023, we paid \$88,689 for the irrevocable group annuity contract. As a result of this transaction, we remeasured the projected benefit obligation and recognized a \$926 non-cash pre-tax settlement charge during the quarter ended October 1, 2023.

12. STOCK COMPENSATION PLANS

Share-based grants for compensation and incentive purposes are made pursuant to the Equity and Incentive Compensation Plan ("EICP"). The EICP provides for grants of one or more of the following stock-based compensation awards to employees, non-employee directors and certain service providers upon whom the successful conduct of our business is dependent:

- Non-qualified stock options ("stock options");
- Performance stock units ("PSUs") and performance stock;
- Stock appreciation rights;
- Restricted stock units ("RSUs") and restricted stock; and
- Other stock-based awards.

The EICP also provides for the deferral of stock-based compensation awards by participants if approved by the Compensation and Human Capital Committee of our Board and if in accordance with an applicable deferred compensation plan of the Company. Currently, the Compensation and Human Capital Committee has authorized the deferral of PSU and RSU awards by certain eligible employees under the Company's Deferred Compensation Plan. Our Board has authorized our non-employee directors to defer any portion of their cash retainer, committee chair fees and RSUs awarded that they elect to convert into deferred stock units under our Directors' Compensation Plan.

At the time stock options are exercised or PSUs and RSUs become payable, Common Stock is issued from our accumulated treasury shares. Dividend equivalents are credited on RSUs on the same date and at the same rate as dividends paid on our Common Stock. Dividend equivalents are charged to retained earnings and included in accrued liabilities until paid.

Awards to employees eligible for retirement prior to the award becoming fully vested are amortized to expense over the period through the date that the employee first becomes eligible to retire and is no longer required to provide service to earn the award. In addition, historical data is used to estimate forfeiture rates and record share-based compensation expense only for those awards that are expected to vest.

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

For the periods presented, compensation expense for all types of stock-based compensation programs and the related income tax benefit recognized were as follows:

Three Months Ended		Nine Months Ended	
October 1,	October	October	October
2023	2, 2022	1, 2023	2, 2022

		Three Months Ended					
		Three Months Ended					
		Three Months Ended					
March							
31,							
2024					March 31, 2024		
Pre-tax compensation expense	Pre-tax compensation expense	\$ 20,511	\$ 18,079	\$ 56,351	\$ 50,640		
Related income tax benefit	Related income tax benefit	4,173	2,990	10,481	9,925		

Compensation expenses for stock compensation plans are primarily included in SM&A expense. As of **October 1, 2023** **March 31, 2024**, total stock-based compensation expense related to non-vested awards not yet recognized was **\$94,733** **\$119,082** and the weighted-average period over which this amount is expected to be recognized was approximately **1.9** **2.0** years.

Stock Options

The exercise price of each stock option awarded under the EICP equals the closing price of our Common Stock on the New York Stock Exchange on the date of grant. Each stock option has a maximum term of 10 years. Grants of stock options provide for pro-rated vesting, typically over a four-year period. Expense for stock options is based on grant date fair value and recognized on a straight-line method over the vesting period, net of estimated forfeitures.

A summary of activity relating to grants of stock options for the period ended **October 1, 2023** **March 31, 2024** is as follows:

Stock Options	Stock Options	Weighted-Average			Weighted-Average			Weighted-Average		
		Shares	Exercise Price (per share)	Remaining Term	Aggregate Intrinsic Value	Stock Options	Shares	Exercise Price (per share)	Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at beginning of year	Outstanding at beginning of year	976,634	\$104.36	3.8 years						
Granted	Granted	5,215	\$240.90							
Granted										
Granted										
Exercised	Exercised	(238,117)	\$103.17							
Outstanding as of October 1, 2023		743,732	\$105.70	3.5 years	\$ 70,417					
Options exercisable as of October 1, 2023		717,677	\$103.21	3.3 years	\$ 69,525					
Outstanding as of March 31, 2024										
Outstanding as of March 31, 2024										
Outstanding as of March 31, 2024										
Options exercisable as of March 31, 2024										

The weighted-average fair value of options granted was **\$57.65** **\$45.95** and **\$37.28** **\$57.65** per share for the periods ended **October 1, 2023** **March 31, 2024** and **October 2, 2022** **April 2, 2023**, respectively. The fair value was estimated on the date of grant using a Black-Scholes option-pricing model and the following weighted-average assumptions:

Nine Months Ended		
October 1, 2023	October 2, 2022	

		Three Months Ended				Three Months Ended	
		March 31, 2024				April 2, 2023	
Dividend yields	Dividend yields	1.7 %	1.9 %	Dividend yields	2.0 %	1.7 %	1.9 %
Expected volatility	Expected volatility	20.9 %	21.1 %	Expected volatility	21.3 %	20.9 %	20.9 %
Risk-free interest rates	Risk-free interest rates	4.1 %	1.9 %	Risk-free interest rates	4.3 %	4.1 %	4.1 %
Expected term in years	Expected term in years	6.3	6.3	Expected term in years	6.3		

The total intrinsic value of options exercised was \$34,060 \$4,148 and \$36,362 \$20,566 for the periods ended October 1, 2023 March 31, 2024 and October 2, 2022 April 2, 2023, respectively.

The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Page 25 20



0000047111-24-
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THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

Performance Stock Units and Restricted Stock Units

Under the EICP, we grant PSUs to select executives and other key employees. Vesting is contingent upon the achievement of certain performance objectives. We grant PSUs over three-year performance cycles. If we meet targets for financial measures at the end of the applicable three-year performance cycle, we award a resulting number of shares of our Common Stock to the participants. The number of shares may be increased to the maximum or reduced to the minimum threshold based on the results of these performance metrics in accordance with the terms established at the time of the award.

For PSUs granted, the target award is a combination of a market-based total shareholder return and performance-based components. For market-based condition components, market volatility and other factors are taken into consideration in determining the grant date fair value and the related compensation expense is recognized regardless of whether the market condition is satisfied, provided that the requisite service has been provided. For performance-based condition components, we estimate the probability that the performance conditions will be achieved each quarter and adjust compensation expenses accordingly. The performance scores of PSU grants during the nine three months ended October 1, 2023 March 31, 2024 and October 2, 2022 April 2, 2023 can range from 0% to 250% of the targeted amounts.

We recognize the compensation expenses associated with PSUs ratably over the three-year term. Compensation expenses are based on the grant date fair value because the grants can only be settled in shares of our Common Stock. The grant date fair value of PSUs is determined based on the Monte Carlo simulation model for the market-based total shareholder return component and the closing market price of the Company's Common Stock on the date of grant for performance-based components.

During the nine three months ended October 1, 2023 March 31, 2024 and October 2, 2022 April 2, 2023, we awarded RSUs to certain executive officers and other key employees under the EICP. We also awarded RSUs to non-employee directors.

We recognize the compensation expenses associated with employee RSUs over a specified award vesting period based on the grant date fair value of our Common Stock. We recognize expense for employee RSUs based on the straight-line method. The compensation expenses associated with non-employee director RSUs is recognized ratably over the vesting period, net of estimated forfeitures.

A summary of activity relating to grants of PSUs and RSUs for the period ended October 1, 2023 March 31, 2024 is as follows:

Performance Stock Units and Restricted Stock Units	Performance Stock Units and Restricted Stock Units	Number of units	Weighted-average grant date fair value for equity awards (per unit)	Performance Stock Units and Restricted Stock Units	
				Number of awards (per unit)	Weighted-average grant date fair value for equity awards (per unit)
Outstanding at beginning of year	Outstanding at beginning of year	1,141,679	\$181.91	Outstanding at beginning of year	\$198.31
Granted	Granted	293,256	\$249.46	Granted	\$196.16

Performance assumption change (1)	Performance assumption change (1)	43,898	\$224.47	Performance assumption change (1)	(60,282)	\$121.12	\$121.12
Vested	Vested	(429,751)	\$172.42	Vested	(443,419)	\$175.69	\$175.69
Forfeited	Forfeited	(21,345)	\$204.92	Forfeited	(8,241)	\$219.04	\$219.04
Outstanding as of October 1, 2023		1,027,737	\$206.49				
Outstanding as of March 31, 2024				Outstanding as of March 31, 2024	843,138		\$214.71

(1) Reflects the net number of PSUs above and below target levels based on the performance metrics.

The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Page 26 21



0000047111-24-
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THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

The following table sets forth information about the fair value of the PSUs and RSUs granted for potential future distribution to employees and non-employee directors. In addition, the table provides assumptions used to determine the fair value of the market-based total shareholder return component using the Monte Carlo simulation model on the date of grant.

	Nine Months Ended		Units granted	Weighted-average fair value at date of grant	Three Months Ended	
	October 1, 2023	October 2, 2022			March 31, 2024	April 2, 2023
Three Months Ended						
Monte Carlo simulation assumptions:	Monte Carlo simulation assumptions:					
Estimated values	Estimated values	\$ 118.90	\$ 100.41			
Dividend yields	Dividend yields	1.7 %	1.8 %	Dividend yields	2.8 %	1.7 %
Expected volatility	Expected volatility	19.2 %	25.3 %	Expected volatility	18.5 %	19.2 %

The fair value of shares vested totaled \$103,600 \$84,998 and \$103,081 \$97,304 for the periods ended October 1, 2023 March 31, 2024 and October 2, 2022 April 2, 2023, respectively.

Deferred PSUs, deferred RSUs and deferred stock units representing directors' fees totaled 261,654 258,847 units as of October 1, 2023 March 31, 2024. Each unit is equivalent to one share of the Company's Common Stock.

The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Page 27 22



0000047111-24-
000023kiss_logo.jpg

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

13. SEGMENT INFORMATION

The Company reports its operations through three reportable segments: (i) North America Confectionery, (ii) North America Salty Snacks and (iii) International. This organizational structure aligns with how our Chief Operating Decision Maker ("CODM") **CODM** manages our business, including resource allocation and performance assessment, and further aligns with our product categories and the key markets we serve.

- **North America Confectionery** – This segment is responsible for our traditional chocolate and non-chocolate confectionery market position in the United States and Canada. This includes our business in chocolate and non-chocolate confectionery, gum and refreshment products, protein bars, spreads, snack bites and mixes, as well as pantry and food service lines. This segment also includes our retail operations, including Hershey's Chocolate World stores in Hershey, Pennsylvania; New York, New York; Las Vegas, Nevada; Niagara Falls (Ontario) and Singapore, as well as operations associated with licensing the use of certain of the Company's trademarks and products to third parties around the world.
- **North America Salty Snacks** – This segment is responsible for our salty snacking products in the United States. This includes ready-to-eat popcorn, baked and trans fat free snacks, pretzels and other snacks.
- **International** – International is a combination of all other operating segments that are not individually material, including those geographic regions where we operate outside of North America. We currently have operations and manufacture product in Mexico, Brazil, India and Malaysia, primarily for consumers in these regions, and also distribute and sell confectionery products in export markets of Asia, Latin America, Middle East, Europe, Africa and other regions.

For segment reporting purposes, we use "segment income" to evaluate segment performance and allocate resources. Segment income excludes unallocated general corporate administrative expenses, unallocated mark-to-market gains and losses on commodity derivatives, business realignment and impairment charges, acquisition-related costs and other unusual gains or losses that are not part of our measurement of segment performance. These items of our operating income are managed centrally at the corporate level and are excluded from the measure of segment income reviewed by the CODM as well as the measure of segment performance used for incentive compensation purposes.

As discussed in [Note 5](#), derivatives used to manage commodity price risk are not designated for hedge accounting treatment. These derivatives are recognized at fair market value with the resulting realized and unrealized (gains) losses recognized in unallocated derivative (gains) losses outside of the reporting segment results until the related inventory is sold, at which time the related gains and losses are reallocated to segment income. This enables us to align the derivative gains and losses with the underlying economic exposure being hedged and thereby eliminate the mark-to-market volatility within our reported segment income.

Certain manufacturing, warehousing, distribution and other activities supporting our global operations are integrated to maximize efficiency and productivity. As a result, assets and capital expenditures are not managed on a segment basis and are not included in the information reported to the CODM for the purpose of evaluating performance or allocating resources. We disclose depreciation and amortization that is generated by segment-specific assets, since these amounts are included within the measure of segment income reported to the CODM.

The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Page 28 23



0000047111-24-
000023kiss_logo.jpg

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

Our segment net sales and earnings were as follows:

	Three Months Ended		Nine Months Ended			
	October 2, October 1, 2023	2022	October 1, 2023	October 2, 2022		
Three Months Ended						
Three Months Ended						
Three Months Ended						
March						
31,						
2024						
Net sales:	Net sales:					
North America Confectionery						
North America Confectionery						
March April						
31, 2,						
2024 2023						

North America Confectionery	North America Confectionery	\$ 2,457,647	\$ 2,235,550	\$ 6,902,891	\$ 6,361,695			
North America Salty Snacks	North America Salty Snacks	Snacks	345,182	275,024	887,532	757,443	North America Salty Snacks	275,106
International	International	International	227,158	217,579	717,458	647,818	International	269,985
Total Segment income:	Total Segment income:		\$ 3,029,987	\$ 2,728,153	\$ 8,507,881	\$ 7,766,956		270,333
Segment income:	Segment income:							265,464
North America Confectionery	North America Confectionery							
North America Confectionery	North America Confectionery	\$ 847,469	\$ 706,815	\$ 2,392,397	\$ 2,107,564		\$ 948,195	\$ 887,750
North America Salty Snacks	North America Salty Snacks	Snacks	57,389	44,516	147,934	103,250		
International	International	International	31,688	35,379	127,838	108,058		
Total segment income	Total segment income		936,546	786,710	2,668,169	2,318,872	Total segment income	1,029,650
Unallocated corporate expense (1)	Unallocated corporate expense (1)		199,270	179,632	562,974	518,834	Unallocated corporate expense (1)	172,899
Unallocated mark-to-market losses on commodity derivatives			1,753	50,065	5,217	63,524		177,074
Unallocated mark-to-market (gains) losses on commodity derivatives							Unallocated mark-to-market (gains) losses on commodity derivatives	(218,015)
(Benefits) costs associated with business realignment activities (see Note 9)			(426)	393	3,440	2,373		10,244
Costs associated with business realignment activities (see Note 9)								
Costs associated with business realignment activities (see Note 9)								
Costs associated with business realignment activities (see Note 9)								
Operating profit	Operating profit							
Operating profit	Operating profit	735,949	556,620	2,096,538	1,734,141		1,058,100	799,924
Interest expense, net (see Note 4)	Interest expense, net (see Note 4)		39,755	35,378	114,101	101,970		
Other (income) expense, net (see Note 17)	Other (income) expense, net (see Note 17)		42,781	48,157	130,248	78,222	Other (income) expense, net (see Note 17)	32,020
								2,983

Income before income taxes	\$ 653,413	\$ 473,085	\$ 1,852,189	\$ 1,553,949
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(1) Includes centrally-managed (a) corporate functional costs relating to legal, treasury, finance, and human resources, (b) expenses associated with the oversight and administration of our global operations, including warehousing, distribution and manufacturing, information systems and global shared services, (c) non-cash stock-based compensation expense, (d) **acquisition-related** acquisition and integration-related costs, and (e) other gains or losses that are not integral to segment performance.

Activity within the unallocated mark-to-market adjustment for commodity derivatives is as follows:

	Three Months Ended		Nine Months Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022
Net (gains) losses on mark-to-market valuation of commodity derivative positions recognized in income	\$ (17,103)	\$ 14,044	\$ (52)	\$ (28,027)
Net gains on commodity derivative positions reclassified from unallocated to segment income	18,856	36,021	5,269	91,551
Net losses on mark-to-market valuation of commodity derivative positions recognized in unallocated derivative (gains) losses	\$ 1,753	\$ 50,065	\$ 5,217	\$ 63,524

	Three Months Ended	
	March 31, 2024	April 2, 2023
Net (gains) losses on mark-to-market valuation of commodity derivative positions recognized in income	\$ (197,764)	\$ 10,614
Net losses on commodity derivative positions reclassified from unallocated to segment income	(20,251)	(370)
Net (gains) losses on mark-to-market valuation of commodity derivative positions recognized in unallocated derivative (gains) losses	\$ (218,015)	\$ 10,244

As of **October 1, 2023** **March 31, 2024**, the cumulative amount of mark-to-market gains on commodity derivatives that have been recognized in our consolidated cost of sales and not yet allocated to reportable segments was **\$3,515** **\$167,808**. Based on our forecasts of the timing of the recognition of the underlying hedged items, we expect to reclassify net pre-tax **gains** **losses** on commodity derivatives of **\$1,502** **\$24,574** to segment operating results in the next twelve months.

The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Page 29/24



0000047111-24-
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THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

Depreciation and amortization expense included within segment income presented above is as follows:

	Three Months Ended		Nine Months Ended		
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022	
	Three Months Ended	Three Months Ended	Three Months Ended	Three Months Ended	
North America	North America	March 31, 2024	March 31, 2024	March 31, 2024	April 2, 2023
Confectionery	Confectionery	\$ 59,921	\$ 56,678	\$ 176,604	\$ 170,025
North America	North America	Snacks	19,779	17,444	55,622
Snacks	Snacks	International	5,919	5,929	17,597
International	International	Corporate	17,690	14,149	53,273
Corporate	Corporate				40,441

Total	Total	\$ 103,309	\$ 94,200	\$ 303,096	\$ 279,082
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Additional information regarding our net sales disaggregated by geographical region is as follows:

		Three Months Ended		Nine Months Ended			
		October 2, October 1, October 2, October 1, 2023	2022	2023	2022		
		Three Months Ended					
		Three Months Ended					
		March					
		31, 2024		March 31, 2024		April 2, 2023	
Net sales:	Net sales:						
United States	United States						
United States	United States	\$ 2,683,348	\$ 2,392,590	\$ 7,459,710	\$ 6,793,283		
All other countries	All other countries	346,639	335,563	1,048,171	973,673		
Total	Total	\$ 3,029,987	\$ 2,728,153	\$ 8,507,881	\$ 7,766,956		

14. TREASURY STOCK ACTIVITY

A summary of our treasury stock activity is as follows:

		Three Months Ended March 31, 2024		Three Months Ended March 31, 2024			
		Nine Months Ended October 1, 2023					
		Shares	Shares	Dollars			
		Shares	Shares	Dollars			
		In thousands		In thousands			
Shares repurchased in the open market under pre-approved share repurchase programs							
Milton Hershey School Trust repurchase	1,000,000	\$ 239,910					
Shares repurchased in the open market to replace Treasury Stock issued for stock options and incentive compensation							
Shares repurchased in the open market to replace Treasury Stock issued for stock options and incentive compensation							

Shares repurchased in the open market to replace Treasury Stock issued for stock options and incentive compensation	
Total share repurchases	
Shares issued for stock options and incentive compensation	Shares issued for stock options and incentive compensation
	(525,299)
	(21,858)
Total net share repurchases	Total net share repurchases
	474,701
Excise tax associated with net share repurchases	Excise tax associated with net share repurchases
(1)	(1)
	—
Net change	Net change
	474,701
	\$ 220,233

(1) A corresponding liability for excise tax associated with net share repurchases is classified on our Consolidated Balance Sheets within accrued liabilities.

In February 2023, the Company entered into a Stock Purchase Agreement with Hershey Trust Company, as trustee for the Milton Hershey School Trust (the "School Trust"), pursuant to which the Company purchased 1,000,000 shares of the Company's Common Stock from the School Trust at a price equal to \$239.91 per share, for a total purchase price of \$239,910.

The Hershey Company | Q1 2024 Form 10-Q | Page 25

0000047111-24
000023kiss_logo.jpg

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

In July 2018, our Board of Directors approved a \$500 million share repurchase authorization to repurchase shares of our Common Stock. In May 2021, our Board of Directors approved an additional \$500 million share repurchase authorization. As a result of the February 2023 Stock Purchase Agreement with Hershey Trust Company, as trustee for the School Trust, the July 2018 share repurchase authorization was completed. In May 2021, our Board of Directors approved an additional \$500 million share repurchase authorization, which was completed and as of October 1, 2023, March 31, 2024. In December 2023, our Board of Directors approved an additional \$500 million share repurchase authorization. This program commenced after the existing May 2021 authorization was completed. As a result of the share repurchase authorization, approximately \$370 million \$470 million remains available for repurchases under our May 2021 December 2023 share repurchase authorization. We are authorized to purchase our outstanding shares in open market and privately negotiated transactions. The program has no expiration date and acquired shares of Common Stock will be held as treasury shares. Purchases under approved share repurchase authorizations are in addition to our practice of buying back shares sufficient to offset those issued under incentive compensation plans.

The Hershey Company | Q3 2023 Form 10-Q | Page 30

0000047111-23
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THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

15. CONTINGENCIES

The Company is subject to certain legal proceedings and claims arising out of the ordinary course of our business, which cover a wide range of matters including trade regulation, product liability, advertising, contracts, environmental issues, patent and trademark matters, labor and employment matters, human and workplace rights matters and tax. While it is not feasible to predict or determine the outcome of such proceedings and claims with certainty, in our opinion these matters, both individually and in the aggregate, are not expected to have a material effect on our financial condition, results of operations or cash flows.



THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

16. EARNINGS PER SHARE

We compute basic earnings per share for Common Stock and Class B common stock using the two-class method. The Class B common stock is convertible into Common Stock on a share-for-share basis at any time. In May 2023, 2,500,000 shares of Class B Common Stock were converted to Common Stock by Hershey Trust Company, as trustee for the School Trust. The computation of diluted earnings per share for Common Stock assumes the conversion of Class B common stock using the if-converted method, while the diluted earnings per share of Class B common stock does not assume the conversion of those shares.

		Three Months Ended			
		October 1, 2023	October 2, 2022	Class B	Class B
Basic earnings per share:	Common Stock	Common Stock	Common Stock	Common Stock	Common Stock
	Numerator:	Numerator:			
Numerator:					
Allocation of distributed earnings (cash dividends paid)					
Allocation of distributed earnings (cash dividends paid)					
Allocation of distributed earnings (cash dividends paid)	Allocation of distributed earnings (cash dividends paid)	\$ 178,573	\$ 59,146	\$ 152,262	\$ 54,743
Allocation of undistributed earnings	Allocation of undistributed earnings	211,085	69,773	141,630	50,852
Total earnings —basic	Total earnings —basic	\$ 389,658	\$ 128,919	\$ 293,892	\$ 105,595
Denominator (shares in thousands):	Denominator (shares in thousands):				
Denominator (shares in thousands):	Denominator (shares in thousands):				
Total weighted-average shares —basic					
Total weighted-average shares —basic					

Total weighted-average shares—basic	Total weighted-average shares—basic	150,116	54,614	147,169	58,114
Earnings Per Share—basic	Earnings Per Share—basic	\$ 2.60	\$ 2.36	\$ 2.00	\$ 1.82
Earnings Per Share—basic	Earnings Per Share—basic				
Diluted earnings per share:	Diluted earnings per share:				
Diluted earnings per share:	Diluted earnings per share:				
Numerator:	Numerator:				
Numerator:	Numerator:				
Allocation of total earnings used in basic computation	Allocation of total earnings used in basic computation				
Allocation of total earnings used in basic computation	Allocation of total earnings used in basic computation				
Allocation of total earnings used in basic computation	Allocation of total earnings used in basic computation	\$ 389,658	\$ 128,919	\$ 293,892	\$ 105,595
Reallocation of total earnings as a result of conversion of Class B common stock to Common stock	Reallocation of total earnings as a result of conversion of Class B common stock to Common stock	128,919	—	105,595	—
Reallocation of undistributed earnings	Reallocation of undistributed earnings	—	(264)	—	(251)
Total earnings—diluted	Total earnings—diluted	\$ 518,577	\$ 128,655	\$ 399,487	\$ 105,344
Denominator (shares in thousands):	Denominator (shares in thousands):				
Denominator (shares in thousands):	Denominator (shares in thousands):				
Number of shares used in basic computation	Number of shares used in basic computation				
Number of shares used in basic computation	Number of shares used in basic computation				
Number of shares used in basic computation	Number of shares used in basic computation	150,116	54,614	147,169	58,114
Weighted-average effect of dilutive securities:	Weighted-average effect of dilutive securities:				

Conversion of Class B common stock to Common shares outstanding	Conversion of Class B common stock to Common shares outstanding	—	—
Conversion of Class B common stock to Common shares outstanding	Conversion of Class B common stock to Common shares outstanding	—	—
Employee stock options	Employee stock options	400	—
Performance and restricted stock units	Performance and restricted stock units	358	—
Total weighted-average shares—diluted	Total weighted-average shares—diluted	205,488	54,614
Earnings Per Share—diluted	Earnings Per Share—diluted	\$ 2.52	\$ 2.36
Earnings Per Share—diluted	Earnings Per Share—diluted	\$ 1.94	\$ 1.81

The earnings per share calculations for the three months ended **October 1, 2023** **March 31, 2024** and **October 2, 2022** **April 2, 2023** excluded **812** and **48** stock options (in thousands), respectively, that would have been antidilutive.

The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Page 32



	Nine Months Ended			
	October 1, 2023		October 2, 2022	
	Common Stock	Class B Common Stock	Common Stock	Class B Common Stock
Basic earnings per share:				
Numerator:				
Allocation of distributed earnings (cash dividends paid)	\$ 484,517	\$ 166,749	\$ 415,599	\$ 152,390
Allocation of undistributed earnings	644,062	217,417	498,070	182,462
Total earnings—basic	\$ 1,128,579	\$ 384,166	\$ 913,669	\$ 334,852
Denominator (shares in thousands):				
Total weighted-average shares—basic	149,307	55,447	146,557	59,058
Earnings Per Share—basic	\$ 7.56	\$ 6.93	\$ 6.23	\$ 5.67
Diluted earnings per share:				
Numerator:				

Allocation of total earnings used in basic computation	\$ 1,128,579	\$ 384,166	\$ 913,669	\$ 334,852
Reallocation of total earnings as a result of conversion of Class B common stock to Common stock	384,166	—	334,852	—
Reallocation of undistributed earnings	—	(931)	—	(954)
Total earnings—diluted	\$ 1,512,745	\$ 383,235	\$ 1,248,521	\$ 333,898
Denominator (shares in thousands):				
Number of shares used in basic computation	149,307	55,447	146,557	59,058
Weighted-average effect of dilutive securities:				
Conversion of Class B common stock to Common shares outstanding	55,447	—	59,058	—
Employee stock options	457	—	582	—
Performance and restricted stock units	402	—	470	—
Total weighted-average shares—diluted	205,613	55,447	206,667	59,058
Earnings Per Share—diluted	\$ 7.36	\$ 6.91	\$ 6.04	\$ 5.65

The earnings per share calculations for the nine months ended October 1, 2023 and October 2, 2022 excluded 12 and 4 stock options (in thousands), respectively, that would have been antidilutive.



The Hershey Company | Q3 2023 Form 10-Q | Page 33 27

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THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

17. OTHER (INCOME) EXPENSE, NET

Other (income) expense, net reports certain gains and losses associated with activities not directly related to our core operations. A summary of the components of other (income) expense, net is as follows:

	Three Months		Nine Months Ended		
	Ended		October 1,	October	
	October	October	2023	2, 2022	
Write-down of equity investments in partnerships qualifying for historic and renewable energy tax credits (see Note 8)	Write-down of equity investments in partnerships qualifying for historic and renewable energy tax credits (see Note 8)		\$38,058	\$43,314	March 31, 2024
			\$115,418	\$70,754	April 2, 2023

Non-service cost components of net periodic benefit cost relating to pension and other post-retirement benefit plans (see Note 11)	Non-service cost components of net periodic benefit cost relating to pension and other post-retirement benefit plans (see Note 11)	4,952	4,895	15,824	7,462
Other (income) expense, net	Other (income) expense, net	(229)	(52)	(994)	6
Other (income) expense, net					
Total	Total	\$42,781	\$48,157	\$130,248	\$78,222

18. RELATED PARTY TRANSACTIONS

Hershey Trust Company, as trustee for the trust established by Milton S. and Catherine S. Hershey that has as its sole beneficiary for the School Trust, maintains voting control over The Hershey Company.

In any given year, we may engage in certain transactions with Hershey Trust Company, Milton Hershey School, the Milton Hershey School Trust and companies owned by and/or affiliated with any of the foregoing. Most transactions with these related parties are immaterial and do not require disclosure, but certain transactions are more significant in nature and have been deemed material for disclosure.

A summary of material related party transactions with Hershey Trust Company and/or its affiliates for the nine months ended October 1, 2023 and October 2, 2022 is as follows:

Stock Purchase Agreement

In February 2023 and February 2022, the Company entered into Stock Purchase Agreements with Hershey Trust Company, as trustee for the School Trust, pursuant to which the Company purchased shares of its Common Stock from the School Trust (see Note 14).

Sale and Donation of Property, Plant and Equipment

In May 2022, the Company entered into a Purchase and Sale Agreement (the "Purchase Agreement") with Hershey Trust Company, as trustee for the School Trust, pursuant to which the Company agreed to sell certain real and personal property consisting of approximately six acres of land located in Hershey, Pennsylvania, together with portions of a building located on the land. Additionally, in June 2022, the Company entered into a Donation Agreement with Hershey Trust Company, as trustee for The M.S. Hershey Foundation, pursuant to which the Company agreed to donate a portion of the building concurrently with the closing of the Purchase Agreement. The sale and donation transactions closed in June 2022. Total proceeds from the sale were approximately \$6,300 (net of transaction and closing costs), resulting in a loss of \$13,568, which was recorded in the SM&A expense caption within the Consolidated Statements of Income. The fair values of the disposed assets were supported by a proposed sales price submitted by a third-party buyer received prior to executing the Purchase Agreement.

The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Page 34 28



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THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

19.18. SUPPLEMENTAL BALANCE SHEET INFORMATION

The components of certain asset accounts included within our Consolidated Balance Sheets are as follows:

October 1, 2023	December 31, 2022
March 31, 2024	
March 31, 2024	

March 31, 2024

Construction in progress					
Construction in progress					
Property, plant and equipment, gross					
Property, plant and equipment, gross					
Property, plant and equipment, gross	Property, plant and equipment, gross		6,233,393		5,709,487
Accumulated depreciation	Accumulated depreciation		(3,077,329)		(2,939,785)
Accumulated depreciation					
Accumulated depreciation					
Property, plant and equipment, net					
Property, plant and equipment, net					
Property, plant and equipment, net	Property, plant and equipment, net	\$	3,156,064	\$	2,769,702
Other non-current assets:	Other non-current assets:				
Other non-current assets:					
Other non-current assets:					
Pension	Pension	\$	42,754	\$	53,495
Pension					
Pension					
Capitalized software, net					
Capitalized software, net					
Capitalized software, net	Capitalized software, net		345,198		320,034
Operating lease ROU assets	Operating lease ROU assets		315,524		326,472
Operating lease ROU assets					
Operating lease ROU assets					
Investments in unconsolidated affiliates					
Investments in unconsolidated affiliates					
Investments in unconsolidated affiliates	Investments in unconsolidated affiliates		126,325		133,029
Other non-current assets	Other non-current assets		120,594		111,959
Other non-current assets					
Other non-current assets					
Total other non-current assets					
Total other non-current assets					
Total other non-current assets	Total other non-current assets	\$	950,395	\$	944,989

The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Page 35 29



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THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(amounts in thousands, except share data or if otherwise indicated)

The components of certain liability and stockholders' equity accounts included within our Consolidated Balance Sheets are as follows:

The components of certain liability and stockholders' equity accounts included within our Consolidated Balance Sheets are as follows:

October 1, 2023

December 31, 2022

The components of certain liability and stockholders' equity accounts included within our Consolidated Balance Sheets are as follows:

The components of certain liability and stockholders' equity accounts included within our Consolidated Balance Sheets are as follows:

		March 31, 2024		March 31, 2024		March 31, 2024
Accounts payable:						
Accounts payable:						
Accounts payable:	Accounts payable:					
Accounts payable—trade	Accounts payable—trade	\$	675,389	\$	636,472	
Accounts payable—trade						
Accounts payable—trade						
Supplier finance program obligations						
Supplier finance program obligations						
Supplier finance program obligations	Supplier finance program obligations	\$	149,533	\$	105,293	
Other	Other	\$	260,094	\$	228,793	
Other						
Other						
Total accounts payable						
Total accounts payable						
Total accounts payable	Total accounts payable	\$	1,085,016	\$	970,558	
Accrued liabilities:						
Accrued liabilities:						
Accrued liabilities:						
Payroll, compensation and benefits						
Payroll, compensation and benefits						
Payroll, compensation and benefits	Payroll, compensation and benefits	\$	245,975	\$	293,865	
Advertising, promotion and product allowances	Advertising, promotion and product allowances	\$	384,872	\$	337,024	
Advertising, promotion and product allowances						
Advertising, promotion and product allowances						
Operating lease liabilities						
Operating lease liabilities						
Operating lease liabilities	Operating lease liabilities	\$	34,320	\$	31,787	
Other	Other	\$	303,759	\$	169,842	
Other						
Other						
Total accrued liabilities						
Total accrued liabilities						
Total accrued liabilities	Total accrued liabilities	\$	968,926	\$	832,518	
Other long-term liabilities:	Other long-term liabilities:					
Other long-term liabilities:						
Post-retirement benefits liabilities						
Post-retirement benefits liabilities						
Post-retirement benefits liabilities	Post-retirement benefits liabilities	\$	77,995	\$	147,174	
Pension benefits liabilities	Pension benefits liabilities	\$	27,515	\$	27,696	
Pension benefits liabilities						
Pension benefits liabilities						

Operating lease liabilities					
Operating lease liabilities					
Operating lease liabilities	Operating lease liabilities		283,967		294,849
Other	Other		252,324		250,023
Other					
Other					
Total other long-term liabilities					
Total other long-term liabilities					
Total other long-term liabilities	Total other long-term liabilities	\$	641,801	\$	719,742
Accumulated other comprehensive loss:	Accumulated other comprehensive loss:				
Accumulated other comprehensive loss:					
Accumulated other comprehensive loss:					
Foreign currency translation adjustments					
Foreign currency translation adjustments					
Foreign currency translation adjustments	Foreign currency translation adjustments	\$	(101,489)	\$	(110,364)
Pension and post-retirement benefit plans, net of tax	Pension and post-retirement benefit plans, net of tax				
Pension and post-retirement benefit plans, net of tax			(131,993)		(118,254)
Pension and post-retirement benefit plans, net of tax					
Pension and post-retirement benefit plans, net of tax					
Cash flow hedges, net of tax					
Cash flow hedges, net of tax					
Cash flow hedges, net of tax	Cash flow hedges, net of tax		(17,165)		(23,715)
Total accumulated other comprehensive loss	Total accumulated other comprehensive loss	\$	(250,647)	\$	(252,333)
Total accumulated other comprehensive loss					
Total accumulated other comprehensive loss					



Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ("MD&A") is intended to provide an understanding of Hershey's financial condition, results of operations and cash flows by focusing on changes in certain key measures from year to year. The This MD&A should be read in conjunction with our Unaudited Consolidated Financial Statements and accompanying notes. notes included in this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 ("this Quarterly Report on Form 10-Q"). This discussion contains a number of forward-looking statements, all of which are based on current expectations. Actual results may differ materially. Refer to the Safe Harbor Statement below as well as the Risk Factors and other information contained in our 2022 2023 Annual Report on Form 10-K, as updated by Part II, Item 1A in this Quarterly Report on Form 10-Q, for information concerning the key risks to achieving future performance goals.

The MD&A is organized in the following sections:

- [Overview](#)
- [Trends Affecting Our Business](#)
- [Consolidated Results of Operations](#)
- [Segment Results](#)
- [Liquidity and Capital Resources](#)

- [Safe Harbor Statement](#)

OVERVIEW

Hershey is a global confectionery leader known for making more moments of goodness through chocolate, sweets, mints and other great tasting snacks. We are the largest producer of quality chocolate in North America, a leading snack maker in the United States ("U.S.") and a global leader in chocolate and non-chocolate confectionery. We market, sell and distribute our products under more than 100 brand names in approximately 80 countries worldwide.

Our principal product offerings include chocolate and non-chocolate confectionery products; gum and mint refreshment products and protein bars; pantry items, such as baking ingredients, toppings and beverages; and snack items such as spreads, bars, and snack bites and mixes, popcorn and pretzels.

Business Acquisitions

On May 31, 2023, we completed the acquisition of certain assets that provide additional manufacturing capacity from Weaver Popcorn Manufacturing, Inc. ("Weaver"), a leader in the production and co-packing of microwave popcorn and ready-to-eat popcorn, and former co-manufacturer of the Company's SkinnyPop brand.

The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Page 37 31

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TRENDS AFFECTING OUR BUSINESS

During **Throughout** the first **nine months** quarter of **2023**, **2024**, the **rate** U.S. consumer continued to drive momentum within the economy; however, we expect some moderation in consumer spending throughout the remainder of **inflation** has slowed **2024** as **cost fatigue** and **labor markets** restrict income growth and constrain consumer behaviors have shifted, as negative macroeconomic conditions spending power and future outlook, including fears of a pending recession, have negatively impacted consumer purchasing behaviors. Net sales and net income increased during the **nine** three months ended **October 1, 2023**; however, this was primarily driven by price realization and minimal volume increases. Additionally, **March 31, 2024**, as we continued to experience a dynamic macroeconomic environment, including price volatility related to select commodities, resulting in corresponding incremental costs and gross margin pressures. Despite specific actions taken to mitigate these gross margin pressures, during higher prices for direct materials used to manufacture our products were, and continue to be, the **nine** months ended **October 1, 2023** primary incremental cost to our business (see [Results Consolidated Results of Operations](#) included in this MD&A). We utilize many exchange traded commodities for our business that are subject to price volatility, specifically cocoa products, which experienced a market price increase of approximately 140% since the beginning of the year (see

[Part I, Item 3 - Quantitative and Qualitative Disclosures about Market Risk](#) included in this Quarterly Report on Form 10-Q). We continue to monitor and use our risk management strategy where possible to hedge commodity prices in order to mitigate corresponding increases in our raw materials and energy costs (see [Part II, Item 1A - Risk Factors](#) included in this Quarterly Report on Form 10-Q).

Furthermore, certain geopolitical events, specifically the conflict between Russia and Ukraine, have increased global economic and political uncertainty. For the **nine** three months ended **October 1, 2023** **March 31, 2024**, this conflict did not have a material impact on our commodity prices or supply availability. However, we are continuing to monitor for any significant escalation or expansion of economic or supply chain disruptions or broader inflationary costs, which may result in material adverse effects on our results of operations.

As of **October 1, 2023** **March 31, 2024**, we believe we have sufficient liquidity to satisfy our key strategic initiatives and other material cash requirements in both the short-term and in the long-term; however, we continue to evaluate and take action, as necessary, to preserve adequate liquidity and ensure that our business can operate effectively during the current economic environment. We continue to monitor our discretionary spending across the organization (see [Liquidity and Capital Resources](#) included in this MD&A).

Based on the length and severity of the **fluctuating levels of inflation**, **macroeconomic environment**, including **price volatility** for our commodities, the **likelihood** **possibility** of a **potential** **recession**, changes in consumer shopping and consumption behavior, and changes in geopolitical events, including the ongoing conflict between Russia and Ukraine, and the recent conflict in the Gaza Strip, we may experience increasing supply chain costs, higher inflation and other impacts to our business. We will continue to evaluate the nature and extent of these potential and evolving impacts on our business, consolidated results of operations, segment results, liquidity and capital resources.

The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Page 38 32

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CONSOLIDATED RESULTS OF OPERATIONS

Three Months Ended	Nine Months Ended
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		October 1, 2023	October 2, 2022	Percent Change	October 1, 2023	October 2, 2022	Percent Change				
Three Months Ended											
Three Months Ended											
Three Months Ended											
March 31, 2024											
March 31, 2024											
March 31, 2024											
In millions of dollars except per share amounts		In millions of dollars except per share amounts						Percent Change			
April 2, 2023											
Net sales											
Net sales		\$ 3,030.0	\$ 2,728.2	11.1 %	\$ 8,507.9	\$ 7,767.0	9.5 %	\$ 3,252.7	\$ 2,987.6		
Cost of sales		1,669.7	1,619.7	3.1 %	4,633.2	4,413.0	5.0 %	Cost of sales	1,576.6		
Gross profit		1,360.3	1,108.5	22.7 %	3,874.7	3,354.0	15.5 %	Gross profit	1,676.1		
Gross margin		44.9 %	40.6 %		45.5 %	43.2 %		Gross margin	1,382.3		
Selling, marketing & administrative ("SM&A") expenses		624.4	551.9	13.1 %	1,777.8	1,619.6	9.8 %	Selling, marketing & administrative ("SM&A") expenses	618.0		
Selling, marketing & administrative ("SM&A") expenses								6.3 %			
SM&A expense as a percent of net sales		20.6 %	20.2 %		20.9 %	20.9 %		SM&A expense as a percent of net sales	32.3 %		
Business realignment activities											
Business realignment activities											
Business realignment activities		—	—	NM	0.4	0.3	60.9 %	Business realignment activities	0.8 %		
Operating profit		735.9	556.6	32.2 %	2,096.5	1,734.1	20.9 %	Operating profit	1,058.1		
Operating profit margin		24.3 %	20.4 %		24.6 %	22.3 %		Operating profit margin	799.9		
Interest expense, net											
Interest expense, net											
Interest expense, net		39.8	35.4	12.4 %	114.1	102.0	11.9 %	Interest expense, net	39.8		
Other (income) expense, net											
Other (income) expense, net		42.7	48.1	(11.2) %	130.2	78.2	66.5 %	Other (income) expense, net	32.0		
Provision for income taxes											
Provision for income taxes		134.8	73.6	83.2 %	339.5	305.4	11.1 %	Provision for income taxes	188.8		
Effective income tax rate											
Effective income tax rate		20.6%	15.6%		18.3%	19.7%		Effective income tax rate	973.4 %		
Net income		\$ 518.6	\$ 399.5	29.8 %	\$ 1,512.7	\$ 1,248.5	21.2 %	Net income	9.7 %		

Net income											\$ 797.5			\$ 587.2			35.8 %	
Net income	Net income per share— diluted										Net income per share— diluted			\$ 3.89			\$ 2.85	
Net income per share— diluted	\$ 2.52	\$ 1.94	29.9 %	\$ 7.36	\$ 6.04	21.9 %					\$ 3.89	\$ 2.85					36.5 %	

NOTE: Percentage changes may not compute directly as shown due to rounding of amounts presented above.

NOTE: Percentage changes may not compute directly as shown due to rounding of amounts presented above.

NOTE: Percentage changes may not compute directly as shown due to rounding of amounts presented above.

NM = not meaningful

Results of Operations - Third First Quarter 2023 2024 vs. Third First Quarter 2022 2023

Net Sales

Net sales increased 11.1% were \$3,252.7 million in the third first quarter of 2023 2024 compared to \$2,987.6 million in the same period of 2022, 2023, an increase of \$265.1 million, or 8.9%. The net sales increase reflects a favorable price realization of 9.8% 5.2% driven by higher list prices primarily within our North America Confectionery and North America Salty Snacks segments and segments. The net sales increase was further driven by a volume increase of 0.9% driven 3.4% primarily by due to an increase in everyday core North America Salty Snacks brands, partially offset by decreases U.S. confection, as a result of accelerated shipments in everyday core U.S. brands and International anticipation of our enterprise resource planning ("ERP") system implementation, which was completed in the beginning of the second quarter of 2024, as well as an increase in salty snack brands. Foreign currency exchange rates resulted in a 0.4% 0.3% impact.

Key U.S. Marketplace Metrics

For the third first quarter of 2023, 2024, our total U.S. retail takeaway increased 2.4% 7.0% in the expanded multi-outlet combined plus convenience store channels (IRI (Circana MULO + C-Stores), which includes candy, mint, gum, salty snacks and grocery items. Our U.S. candy, mint and gum ("CMG") consumer takeaway increased 2.5% 8.1% and experienced a CMG market share decline increase of approximately 120 6 basis points. Our Salty consumer takeaway was flat for declined 4.1% in the third first quarter of 2023 2024 and experienced a Salty market share decline of 16 basis points.

The CMG consumer takeaway and market share information reflects measured channels of distribution accounting for approximately 90% of our U.S. confectionery retail business. These channels of distribution primarily include food, drug, mass merchandisers, and convenience store channels, plus Wal-Mart Stores, Inc., partial dollar, club and military channels. These metrics are based on measured market scanned purchases as reported by Circana, the Company's market insights and analytics provider, and provide a means to assess our retail takeaway and market position relative to the overall category.

Cost of Sales and Gross Margin

Cost of sales increased 3.1% in the third quarter of 2023 compared to the same period of 2022. The increase was driven by higher sales volume and higher supply chain costs, including higher logistics and labor costs. The increase

The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Page 39 33



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Cost of Sales and Gross Margin

Cost of sales were \$1,576.6 million in the first quarter 2024 compared to \$1,605.3 million in the same period 2023, a decrease of \$28.7 million, or 1.8%. The decrease was partially offset driven by \$31.1 million an incremental \$208.4 million of favorable mark-to-market activity on our commodity derivative instruments intended to economically hedge future years' commodity purchases (See [Part I, Item 3 - Quantitative and Qualitative Disclosures About Market Risk](#) included in this Quarterly Report on Form 10-Q for more information). The decrease was further driven by \$57.7 million of favorable price realization and supply chain productivity. The decreases were partially offset by \$237.4 million driven by higher commodity costs, primarily driven by cocoa, unfavorable mix and higher supply chain costs.

Gross margin increased by 430 basis points was 51.5% in the third first quarter of 2023 2024 compared to 46.3% in the same period of 2022, 2023, an increase of 520 basis points. The increase was driven by favorable year-over-year activity on our mark-to-market impact from commodity derivative instruments, and favorable price realization, These volume increases, were and favorable supply chain productivity. The increase was partially offset by unfavorable commodity costs, higher logistics supply chain costs, including higher labor costs, and labor costs, unfavorable mix.

SM&A Expenses

SM&A expenses increased \$72.5 million, or 13.1%, were \$618.0 million in the third first quarter of 2023 2024 compared to \$581.6 million in the same period of 2022, 2023, an increase of \$36.4 million, or 6.3%. Total advertising and related consumer marketing expenses increased 20.0% 12.0% driven primarily by North America Confectionery and North America Salty Snacks, increases across all segments. SM&A expenses, excluding advertising and related consumer marketing, increased approximately 9.9% in the third quarter of 2023 driven by higher compensation costs and investments in capabilities and technology across segments.

Operating Profit and Operating Profit Margin

Operating profit was \$735.9 million in the third quarter of 2023 compared to \$556.6 million in the same period of 2022 predominantly due to higher gross profit, partially offset by higher SM&A expenses, as noted above. Operating profit margin increased to 24.3% in 2023 from 20.4% in 2022 driven by the same factors noted above that resulted in higher gross margin for the period.

Interest Expense, Net

Net interest expense was \$4.4 million higher in the third quarter of 2023 compared to the same period of 2022. The increase was primarily due to higher rates on long-term debt balances in 2023 versus 2022, specifically related to the \$350 million 4.25% Notes and \$400 million 4.50% Notes issued in May 2023. The increase was partially offset by higher interest income.

Other (Income) Expense, Net

Other (income) expense, net was \$42.7 million in the third quarter of 2023 versus net expense of \$48.1 million in the third quarter of 2022. The decrease in net expense was primarily due to lower write-downs on equity investments qualifying for tax credits in 2023 versus the third quarter of 2022.

Income Taxes and Effective Tax Rate

The effective income tax rate was 20.6% for the third quarter of 2023 compared with 15.6% for the third quarter of 2022. Relative to the 21% statutory rate, the 2023 effective tax rate was impacted by investment tax credits, partially offset by state taxes and tax reserves. Relative to the 21% statutory rate, the 2022 effective tax rate was impacted by investment tax credits, partially offset by state taxes.

Net Income Attributable to The Hershey Company and Earnings Per Share-diluted

Net income increased \$119.1 million, or 29.8%, while EPS-diluted increased \$0.58, or 29.9%, in the third quarter of 2023 compared to the same period of 2022. The increase in both net income and EPS-diluted was driven primarily by higher gross profit and lower other income and expenses, partially offset by higher SM&A expenses and higher income taxes. Our 2023 EPS-diluted also benefited from lower weighted-average shares outstanding as a result of share repurchases pursuant to our Board-approved repurchase programs.

Results of Operations - First Nine Months 2023 vs. First Nine Months 2022

Net Sales

Net sales increased 9.5% 3.3% in the first nine months quarter of 2023 compared to the same period of 2022, reflecting a favorable price realization of 9.1% primarily due to higher list prices across our reportable segments and a volume increase of 0.4% 2024 driven by increases in everyday core brands within the North America Salty Snacks and International segments, partially offset by a decrease in everyday core U.S. brands. There was no impact from foreign currency exchange rates.

The Hershey Company | Q3 2023 Form 10-Q | Page 40

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Key U.S. Marketplace Metrics

For the first nine months of 2023, our total U.S. retail takeaway increased 7.5% in the expanded multi-outlet combined plus convenience store channels (IRI MULO + C-Stores), which includes candy, mint, gum, salty snacks and grocery items. Our U.S. CMG consumer takeaway increased 7.2% and experienced a CMG market share decline of 96 basis points. Our Salty consumer takeaway increased 10.7% and experienced a Salty market share decline of 1 basis point.

Cost of Sales and Gross Margin

Cost of sales increased 5.0% in the first nine months of 2023 compared to the same period of 2022. The increase was driven by an incremental \$28.0 million of unfavorable mark-to-market activity on our commodity derivative instruments intended to economically hedge future years' commodity purchases, higher sales volume and higher supply chain costs, including higher logistics and labor costs. The increase was partially offset by favorable price realization and supply chain productivity.

Gross margin increased by 230 basis points in the first nine months of 2023 compared to the same period of 2022. The increases were driven by favorable price realization and volume increases. The increase was partially offset by unfavorable year-over-year mark-to-market impact from commodity derivative instruments, higher supply chain inflation costs, including higher logistics and labor costs and unfavorable product mix.

SM&A Expenses

SM&A expenses increased \$158.1 million, or 9.8%, in the first nine months of 2023 compared to the same period of 2022. Total advertising and related consumer marketing expenses increased 14.5% driven by increases across reportable segments, primarily North America Confectionery and North America Salty Snacks. SM&A expenses, excluding advertising and related consumer marketing, increased approximately 7.6% in the first nine months of 2023 driven by an increase in compensation costs, investments in capabilities and technology and broad-based marketplace inflation, higher compensation costs across segments.

Business Realignment Activities

We periodically undertake business realignment activities designed to increase our efficiency and focus our business in support of our key growth strategies. During the first nine months quarter of 2023, 2024, we recorded no business realignment costs versus costs of \$0.4 million versus \$0.3 million \$0.8 million in the first nine months quarter of 2022 2023. The costs in 2023 related to the International Optimization Program, Program, which completed in 2023. The International Optimization Program was focused on optimizing our China operating model to improve our operational efficiency and provide for a strong, sustainable and simplified base going forward. In February 2024, the Board of Directors approved the Advancing Agility & Automation ("AAA") Initiative, focused on leveraging new technology to improve supply chain and manufacturing-related spend, and optimize

selling, general and administrative expenses. Costs associated with business realignment activities are classified in our Consolidated Statements of Income as described in [Note 9](#) to the Unaudited Consolidated Financial Statements.

Operating Profit and Operating Profit Margin

Operating profit increased 20.9% was \$1,058.1 million in the first nine months quarter of 2023 2024 compared to \$799.9 million in the same period of 2022 2023, an increase of \$258.2 million, or 32.3%. The increase was predominantly due to higher gross profit, partially offset by higher SM&A expenses, as noted above. Operating profit margin was 24.6% increased to 32.5% in 2023 and 22.3% 2024 from 26.8% in 2022 2023 driven by the same factors noted above that resulted in higher gross margin for the period.

Interest Expense, Net

Net interest expense was \$12.1 million higher \$39.8 million in the first nine months quarter of 2023 2024 compared to \$37.7 million in the same period of 2022 2023, an increase of \$2.1 million, or 5.7%. The increase was primarily due to higher rates on short-term debt balances in 2023 versus 2022, specifically related to outstanding commercial paper borrowings and higher rates on long-term debt balances in 2023 2024 versus 2022 2023, specifically related to the \$350 million 4.25% Notes and \$400 million 4.50% Notes issued in May 2023. The increase was partially offset by higher interest income in 2023 compared to 2022.

income.

Other (Income) Expense, Net

Other (income) expense, net was \$130.2 million \$32.0 million in the first nine months quarter of 2023 2024 versus net expense of \$78.2 million \$2.9 million in the first nine months quarter of 2022 2023, an increase of \$29.1 million, or 973.4%. The increase in net expense was primarily due to driven by an increase of \$31.4 million of higher write-downs on equity investments qualifying for tax credits in 2023 2024 versus the first quarter of 2022 and higher interest and amortization costs due 2023, partially offset by a decrease of \$2.6 million of non-service cost components of net periodic benefit cost relating to higher discount rates for pension and other post-retirement benefit plans.

The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Page 41 34



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Income Taxes and Effective Tax Rate

Our The effective income tax rate was 18.3% 19.1% for the first nine months quarter of 2023 2024 compared with 19.7% 22.7% for the first nine months quarter of 2022 2023. Relative to the 21% statutory rate, the 2024 effective tax rate was primarily impacted by investment tax credits partially offset by state taxes. Relative to the 21% statutory rate, the 2023 effective tax rate was impacted by investment tax credits and employee share-based payments state taxes, partially offset by state taxes and tax reserves. Relative to the 21% statutory rate, the 2022 effective tax rate was impacted by investment tax credits, partially offset by state taxes, employee share-based payments.

Net Income Attributable to The Hershey Company and Earnings Per Share-diluted

Net income increased \$264.2 million, or 21.2%, while EPS-diluted increased \$1.32, or 21.9%, was \$797.5 million in the first nine months quarter of 2023 2024 compared to \$587.2 million in the same period of 2022 2023, an increase of \$210.3 million, or 35.8%. EPS-diluted was \$3.89 in the first quarter of 2024 compared to \$2.85 in the first quarter of 2023, an increase of \$1.04, or 36.5%. The increase in both net income and EPS-diluted was driven primarily by higher gross profit, partially offset by higher SM&A expenses, higher income taxes and higher other income and expenses. expenses and higher income taxes. Our 2023 2024 EPS-diluted also benefited from lower weighted-average shares outstanding as a result of share repurchases. repurchases pursuant to our Board-approved repurchase programs.

The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Page 42 35



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SEGMENT RESULTS

The summary that follows provides a discussion of the results of operations of our three reportable segments: North America Confectionery, North America Salty Snacks and International. For segment reporting purposes, we use "segment income" to evaluate segment performance and allocate resources. Segment income excludes unallocated general corporate administrative expenses, unallocated mark-to-market gains and losses on commodity derivatives, business realignment and impairment charges, acquisition-related costs and other unusual gains or losses that are not part of our measurement of segment performance. These items of our operating income are largely managed centrally at the corporate level and are excluded from the measure of segment income reviewed by the Chief Operating Decision Maker and used for resource allocation and internal management reporting and performance evaluation. Segment income and segment income margin, which are presented in the segment discussion that follows, are non-GAAP measures and do not purport to be alternatives to operating income as a measure of operating performance. We believe that these measures are useful to investors and other users of our financial

information in evaluating ongoing operating profitability as well as in evaluating operating performance in relation to our competitors, as they exclude the activities that are not directly attributable to our ongoing segment operations.

Our segment results, including a reconciliation to our consolidated results, were as follows:

		Three Months Ended		Nine Months Ended			
		October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022		
		Three Months Ended		Three Months Ended			
		March 31, 2024		March 31, 2024		April 2, 2023	
In millions of dollars	In millions of dollars						
Net Sales:	Net Sales:						
Net Sales:	Net Sales:						
Net Sales:	North America Confectionery						
North America Confectionery	North America Confectionery						
North America Confectionery	North America Confectionery	\$ 2,457.6	\$ 2,235.6	\$ 6,902.9	\$ 6,361.7		
North America Salty Snacks	North America Salty Snacks	345.2	275.0	887.5	757.4		
International	International	227.2	217.6	717.5	647.8		
Total	Total	\$ 3,030.0	\$ 2,728.2	\$ 8,507.9	\$ 7,766.9		
Segment Income:	Segment Income:						
Segment Income:	North America Confectionery						
North America Confectionery	North America Confectionery						
North America Confectionery	North America Confectionery	\$ 847.5	\$ 706.8	\$ 2,392.4	\$ 2,107.6		
North America Salty Snacks	North America Salty Snacks	57.4	44.5	147.9	103.2		
International	International	31.7	35.4	127.8	108.1		
Total segment income	Total segment income	936.6	786.7	2,668.1	2,318.9		
Unallocated corporate expense (1)	Unallocated corporate expense (1)	199.3	179.6	563.0	518.9		
Unallocated mark-to-market losses on commodity derivatives (2)	Unallocated mark-to-market losses on commodity derivatives (2)	1.8	50.0	5.2	63.5		
(Benefits) costs associated with business realignment activities	(Benefits) costs associated with business realignment activities	(0.4)	0.4	3.4	2.4		

(Benefits) costs associated with business realignment activities					
(Benefits) costs associated with business realignment activities					
Operating profit	Operating profit	735.9	556.7	2,096.5	1,734.1
Interest expense, net	Interest expense, net	39.8	35.4	114.1	102.0
Other (income) expense, net	Other (income) expense, net	42.7	48.2	130.2	78.2
Income before income taxes	Income before income taxes	\$ 653.4	\$ 473.1	\$ 1,852.2	\$ 1,553.9

(1) Includes centrally-managed (a) corporate functional costs relating to legal, treasury, finance and human resources, (b) expenses associated with the oversight and administration of our global operations, including warehousing, distribution and manufacturing, information systems and global shared services, (c) non-cash stock-based compensation expense, (d) **acquisition-related** **acquisition and integration-related** costs and (e) other gains or losses that are not integral to segment performance.

(2) Net losses (gains) on mark-to-market valuation of commodity derivative positions recognized in unallocated derivative losses (gains). See [Note 13](#) to the Unaudited Consolidated Financial Statements.

North America Confectionery

The North America Confectionery segment is responsible for our chocolate and non-chocolate confectionery market position in the United States and Canada. This includes developing and growing our business in chocolate and non-chocolate confectionery, gum and refreshment products, protein bars, spreads, snack bites and mixes, as well as pantry and food service lines. While a less significant component, this segment also includes our retail operations, including Hershey's Chocolate World stores in Hershey, Pennsylvania; New York, New York; Las Vegas, Nevada; Niagara Falls (Ontario) and Singapore, as well as operations associated with licensing the use of certain trademarks and products to third parties around the world. North America Confectionery results, which accounted for **81.1%** **83.2%** and **81.9%** **82.1%** of our net sales for the three months ended **October 1, 2023** **March 31, 2024** and **October 2, 2022** **April 2, 2023**, respectively, were as follows:

Three Months Ended			Nine Months Ended																	
October 1, 2023	October 2, 2022	Percent Change	October 1, 2023	October 2, 2022	Percent Change															
Three Months Ended																				
Three Months Ended																				
Three Months Ended																				
March 31, 2024																				
March 31, 2024																				
March 31, 2024																				
									April 2, 2023		Percent Change									
In millions			In millions																	
of dollars			of dollars																	
Net sales																				
Net sales																				
Net sales	Net sales	\$ 2,457.6	\$ 2,235.6	9.9 %	\$ 6,902.9	\$ 6,361.7	8.5 %	\$ 2,707.3	\$ 2,452.2	10.4	10.4 %									
Segment income	Segment income	847.5	706.8	19.9 %	2,392.4	2,107.6	13.5 %	948.2	887.8	887.8	6.8									
Segment margin	Segment margin	34.5 %	31.6 %		34.7 %	33.1 %					6.8 %									

Results of Operations - Third First Quarter 2023 2024 vs. Third First Quarter 2022 2023

Net sales of our North America Confectionery segment increased \$222.0 million, or 9.9%, were \$2,707.3 million in the **third** first quarter of **2023** **2024** compared to \$2,452.2 million in the same period of **2022**, reflecting **2023**, an increase of \$255.1 million, or 10.4%. The increase reflected a favorable price realization of **11.1%** **5.9%** primarily due to list price increases on certain products across our portfolio. The increase was partially offset further driven by a volume decrease increase of 1.0% due to a decrease 4.5% driven primarily by an increase in everyday core U.S. confection, brands, and an unfavorable impact from foreign currency exchange rates as a result of 0.2% accelerated shipments in anticipation of our ERP system implementation, which was completed in the beginning of the second quarter of 2024.

Our North America Confectionery segment also includes licensing and owned retail. This includes our Hershey's Chocolate World stores in the United States (3 locations), Niagara Falls (Ontario) and Singapore. Our net sales for licensing and owned retail increased approximately **11.6%** **11.0%** during the **third** first quarter of **2023** **2024** compared to the same

period of 2022, 2023.

Our North America Confectionery segment income increased \$140.7 million, or 19.9%, was \$948.2 million in the third first quarter of 2023 2024 compared to \$887.8 million in the same period of 2022, 2023, an increase of \$60.4 million, or 6.8%. The increase was primarily due to favorable price realization and volume increases, partially offset by volume declines, higher commodity costs, higher supply chain inflation costs, including higher logistics and labor costs, as well as and unfavorable product mix.

Results of Operations - First Nine Months 2023 vs. First Nine Months 2022

Net sales of our North America Confectionery segment increased \$541.2 million, or 8.5%, in the first nine months of 2023 compared to the same period of 2022, reflecting a favorable price realization of 9.8% due to list price increases on certain products across our portfolio. The increase was partially offset by a volume decrease of 1.0% primarily driven by a decrease in everyday core U.S. confection brands, and an unfavorable impact from foreign currency exchange rates of 0.3%.

Our North America Confectionery segment also includes licensing and owned retail. This includes our Hershey's Chocolate World stores in the United States (3 locations), Niagara Falls (Ontario) and Singapore. Our net sales for licensing and owned retail increased approximately 14.3% during the first nine months of 2023 compared to the same period of 2022.

Our North America Confectionery segment income increased \$284.8 million or 13.5% in the first nine months of 2023 compared to the same period of 2022, primarily due to favorable price realization, partially offset by volume declines, higher supply chain inflation costs, including higher logistics and labor costs, as well as unfavorable product mix.

North America Salty Snacks

The North America Salty Snacks segment is responsible for our grocery and snacks market positions, including our salty snacking products. North America Salty Snacks results, which accounted for 11.4% 8.5% and 10.1% 9.0% of our net sales for the three months ended October 1, 2023 March 31, 2024 and October 2, 2022 April 2, 2023, respectively, were as follows:

Three Months Ended			Nine Months Ended											
October	October	Percent	October	October	Percent	1, 2023	2, 2022	Change	1, 2023	2, 2022	Change	1, 2023	2, 2022	Change
Three Months Ended														
Three Months Ended														
Three Months Ended														
March 31,														
2024														
March 31,														
2024														
In millions			In millions											
of dollars			of dollars											
Net sales														
Net sales	Net sales	\$345.2	\$275.0	25.5 %	\$887.5	\$757.4	17.2 %		\$ 275.1	\$ 270.0	1.9	1.9	%	
Segment income	Segment income	57.4	44.5	29.0 %	147.9	103.2	43.3 %	Segment income	38.7	46.8	46.8	(17.3)	(17.3)	%
Segment margin	Segment margin	16.6 %	16.2 %		16.7 %	13.6 %								

Results of Operations - Third First Quarter 2023 2024 vs. Third First Quarter 2022 2023

Net sales of our North America Salty Snacks segment increased \$70.2 million, or 25.5%, were \$275.1 million in the third first quarter of 2023 2024 compared to \$270.0 million in the same period of 2022. This reflects a volume 2023, an increase of 22.2% \$5.1 million, primarily due to Dot's Homestyle Pretzels and SkinnyPop snacks, and/or 1.9%. The increase reflected a favorable price realization of 3.3%, due to list price increases on certain products across our portfolio, primarily SkinnyPop snacks.

Our North America Salty Snacks segment income increased \$12.9 million, or 29.0%, in the third quarter of 2023 compared to the same period of 2022, primarily due to volume increases on certain products and favorable price realization, partially offset by increased advertising and related consumer marketing costs and additional supply chain expenses related to the voluntary removal of certain Paqui branded items.

Results of Operations - First Nine Months 2023 vs. First Nine Months 2022

Net sales of our North America Salty Snacks segment increased \$130.1 million, or 17.2%, in the first nine months of 2023 compared to the same period of 2022, reflecting a volume increase of 10.3%, primarily related to SkinnyPop and Dot's Homestyle Pretzels snacks, and a favorable price realization of 6.9% 1.7%, due to list price increases on certain products across our portfolio, primarily Dot's Homestyle Pretzels, and a volume increase of 0.2%, primarily due to Dot's Homestyle Pretzels, substantially offset by volume declines in SkinnyPop snacks.

Our North America Salty Snacks segment income increased \$44.7 million, or 43.3%, was \$38.7 million in the first nine months quarter of 2023 2024 compared to \$46.8 million in the same period of 2022, 2023, a decrease of \$8.1 million, or 17.3%. The decrease was primarily due to favorable price realization increased commodity costs, higher supply chain costs

and volume increases, partially offset by increased advertising and related consumer marketing costs, and increased supply chain costs, including incremental supply chain expenses incurred in the third quarter of 2023 related to the voluntary removal of certain *Paqui* branded items, partially offset by favorable price realization.

International

The International segment includes all other countries where we currently manufacture, import, market, sell or distribute chocolate and non-chocolate confectionery and other products. We currently have operations and manufacture product in Mexico, Brazil, India and Malaysia, primarily for consumers in these regions, and also distribute and sell confectionery products in export markets of Latin America, as well as Europe, Asia, the Middle East and Africa ("AMEA") and other regions. International results, which accounted for **7.5%** **8.3%** and **8.0%** **8.9%** of our net sales for the three months ended **October 1, 2023** **March 31, 2024** and **October 2, 2022** **April 2, 2023**, respectively, were as follows:

Three Months Ended			Nine Months Ended						April 2, 2023	Percent Change						
October 1, 2023	October 2, 2022	Percent Change	October 1, 2023	October 2, 2022	Percent Change											
Three Months Ended																
Three Months Ended																
Three Months Ended																
March 31, 2024																
March 31, 2024																
March 31, 2024																

LIQUIDITY AND CAPITAL RESOURCES

Historically, our primary source of liquidity has been cash generated from operations. Domestic seasonal working capital needs, which typically peak during the summer months, are generally met by utilizing cash on hand, bank borrowings or the issuance of commercial paper. Commercial paper may also be issued, from time to time, to finance ongoing business transactions, such as the repayment of long-term debt, business acquisitions and for other general corporate purposes.

At **October 1, 2023** **March 31, 2024**, our cash and cash equivalents totaled **\$471.3 million** **\$520.4 million**, an increase of **\$7.4 million** **\$118.5 million** compared to the **2022** **2023** year-end balance. **We believe we have sufficient liquidity to satisfy our cash needs, including our unsecured revolving credit facility which allows the Company to borrow up to \$1.35 billion with the option to increase borrowings by an additional \$500 million with the consent of the lenders.** Additional details detail regarding the net uses of cash are outlined in the following discussion. Additionally, at **March 31, 2024**, we had outstanding short- and long-term debt totaling **\$5.4 billion**, of which **\$305.4 million** was classified as the current portion of long-term debt. Of the **\$305.4 million**, **\$300 million** of 2.050% Notes are due upon maturity on November 15, 2024. We believe we can satisfy these debt obligations with cash generated from our operation, issuing new debt, and/or by borrowing on our unsecured credit facility.

Approximately **85%** **55%** of the balance of our cash and cash equivalents at **October 1, 2023** **March 31, 2024** was held by subsidiaries domiciled outside of the United States. A majority of this balance is distributable to the United States without material tax implications, such as withholding tax. We intend to continue to reinvest the remainder of the earnings outside of the United States for which there would be a material tax implication to distributing for the foreseeable future and, therefore, have not recognized additional tax expense on these earnings. We believe that our existing sources of liquidity are adequate to meet anticipated funding needs at comparable risk-based interest rates for the foreseeable future. Acquisition spending and/or share repurchases could potentially increase our debt. Operating cash flow and access to capital markets are expected to satisfy our various short- and long-term cash flow requirements, including acquisitions and capital expenditures.

Cash Flow Summary

The following table is derived from our Consolidated Statements of Cash Flows:

		Nine Months Ended	
		Three Months Ended	
		Three Months Ended	
		Three Months Ended	
In millions of dollars			
In millions of dollars			
In millions of dollars	In millions of dollars	October 1, 2023	October 2, 2022
Net cash provided by (used in):	Net cash provided by (used in):		
Net cash provided by (used in):			
Net cash provided by (used in):			
Operating activities			
Operating activities			
Operating activities	Operating activities	\$ 1,565.6	\$ 1,560.2
Investing activities	Investing activities	\$ (735.5)	\$ (510.0)
Investing activities			
Investing activities			
Financing activities	Financing activities	\$ (784.4)	\$ (1,076.0)
Financing activities			
Financing activities			
Effect of exchange rate changes on cash and cash equivalents			
Effect of exchange rate changes on cash and cash equivalents			
Effect of exchange rate changes on cash and cash equivalents	Effect of exchange rate changes on cash and cash equivalents	\$ (38.3)	\$ 24.3
Net change in cash and cash equivalents	Net change in cash and cash equivalents	\$ 7.4	\$ (1.5)
Net change in cash and cash equivalents			
Net change in cash and cash equivalents			



Operating activities

We generated cash of \$1,565.6 million \$569.2 million from operating activities in the first nine three months of 2023, an increase 2024, a decrease of \$5.4 million \$186.2 million compared to \$1,560.2 million \$755.4 million in the same period of 2022 2023. This increase decrease in net cash provided by operating activities was mainly driven by the following factors:

- Net income adjusted for non-cash charges to operations (including depreciation, amortization, stock-based compensation, deferred income taxes, a write-down of equity investments, unrealized gains and losses on derivative contracts and other charges) resulted in \$314.9 million \$31.5 million of higher lower cash flow in 2023 2024 relative to 2022 2023.
- The increase in cash provided by operating activities was partially offset by the following net cash outflows:
 - In the aggregate, select net working capital items, specifically, trade accounts receivable, inventory, accounts payable and accrued liabilities, consumed cash of \$449.6 million \$237.7 million in 2023 2024, compared to \$212.6 million \$128.2 million in 2022 2023. This \$237.4 million \$109.5 million fluctuation was mainly driven by an increase in cash used by accounts receivable due to an increase in sales of everyday core U.S. seasonal products confection brands and salty snack brands and the timing of vendor and supplier payments.
 - Timing of income tax payments contributed to an increase in operating cash of \$83.2 million \$147.5 million in 2023 2024, compared to an increase of \$125.0 million \$174.2 million in 2022 2023. This \$41.7 million \$26.7 million fluctuation was primarily due to the variance in actual tax expense for 2023 2024 relative to the timing of quarterly estimated tax payments. We paid cash of \$264.5 million \$31.3 million for income taxes during 2023 2024 compared to \$190.7 million \$12.3 million in the same period of 2022.
 - Other assets and liabilities consumed cash of \$93.7 million in 2023, compared to \$67.8 million in 2022. This \$26.0 million fluctuation was primarily due to our purchase of an irrevocable group annuity contract to settle a portion of our post retirement benefit obligation, partially offset by the timing of certain prepaid expenses and other current assets 2023.

Investing activities

We used cash of \$735.5 million \$227.6 million for investing activities in the first nine three months of 2023 2024, an increase of \$225.5 million \$39.3 million compared to \$510.0 million \$188.3 million in the same period of 2022 2023. This increase in net cash used in investing activities was mainly driven by the following factors:

- Capital spending. Capital expenditures, including capitalized software, primarily to support our ERP system implementation, capacity expansion, innovation and cost savings, were \$548.6 million \$213.3 million in the first nine three months of 2023 2024 compared to \$360.0 million \$176.1 million in the same period of 2022 2023. Expenditures increased due to progress on capacity expansion projects and our ERP system implementation. We expect 2023 2024 capital expenditures, including capitalized software, to approximate \$800 \$600 million to \$850 million \$650 million. The increase decrease in our 2023 2024 capital expenditures is largely driven by the wind down of our key strategic initiatives, including core confection capacity expansion and continued investments in a digital infrastructure including completion of the build and upgrade of a new ERP system across the enterprise enterprise in 2024. We intend to use our existing cash and internally generated funds to meet our 2023 2024 capital requirements.
- Investments in partnerships qualifying for tax credits. We make investments in partnership entities that in turn make equity investments in projects eligible to receive federal historic and renewable energy tax credits. We invested approximately \$18.1 million \$13.9 million in the first nine three months of 2023 2024, compared to \$159.7 million \$12.3 million in the same period of 2022.
- Business Acquisition. In May 2023, we acquired Weaver for an initial cash purchase price of \$165.8 million. Further details regarding our business acquisition activity is provided in Note 2 to the Unaudited Consolidated Financial Statements. In 2022, we had no acquisition activity 2023.
- Other investing activities. In 2023 2024 and 2022 2023, our other investing activities were minimal.

Financing activities

We used cash of \$784.4 million \$221.7 million for financing activities in the first nine three months of 2023 2024, a decrease of \$291.6 million \$330.5 million compared to \$1,076.0 million \$552.2 million in the same period of 2022 2023. This decrease in net cash used in financing activities was mainly driven by the following factors:

The Hershey Company | Q3 2023 Form 10-Q | Page 44

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- Short-term borrowings, net. In addition to utilizing cash on hand, we use short-term borrowings (commercial paper and bank borrowings) to fund seasonal working capital requirements and ongoing business needs. During the first nine three months of 2023 2024, we generated cash of \$126.1 million \$569.9 million predominately through the issuance of short-term commercial paper, as well as an increase in short-term foreign bank borrowings. During the first nine three months of 2022 2023, we used cash of \$145.6 million \$90.7 million to reduce a portion of our short-term commercial paper borrowings originally used to fund our 2021 acquisitions of Dot's and Pretzels, partially offset by an increase in short-term foreign bank borrowings.

- **Long-term debt borrowings and repayments.** During the first nine months of 2023, we issued \$350 million of 4.250% Notes due in May 2028 and \$400 million of 4.500% Notes due in May 2033 (the "2023 Notes"). Proceeds from the issuance of the 2023 Notes, net of discounts and issuance costs, totaled \$744 million. Additionally, in May 2023 we repaid \$250 million of 2.625% Notes and \$500 million of 3.375% Notes due upon their maturity. During the first nine months of 2022, long-term debt borrowings and repayments were minimal.

- **Dividend payments.** Total dividend payments to holders of our Common Stock and Class B Common Stock were \$651.3 million during the first nine months of 2023, an increase of \$83.3 million compared to \$568.0 million in the same period of 2022. Details regarding our 2023 cash dividends paid to stockholders are as follows:

In millions of dollars except per share amounts	Quarter Ended		
	April 2, 2023	July 2, 2023	October 1, 2023
Dividends paid per share – Common stock	\$ 1.036	\$ 1.036	\$ 1.192
Dividends paid per share – Class B common stock	\$ 0.942	\$ 0.942	\$ 1.083
Total cash dividends paid	\$ 207.4	\$ 206.1	\$ 237.8
Declaration date	January 31, 2023	April 25, 2023	July 27, 2023
Record date	February 17, 2023	May 19, 2023	August 18, 2023
Payment date	March 15, 2023	June 15, 2023	September 15, 2023

In millions of dollars except per share amounts	Quarter Ended	
	March 31, 2024	
Dividends paid per share – Common stock	\$ 1.370	
Dividends paid per share – Class B common stock	\$ 1.245	
Total cash dividends paid	\$ 273.4	
Declaration date	February 7, 2024	
Record date	February 20, 2024	
Payment date	March 15, 2024	

- **Share repurchases.** We repurchase shares of Common Stock to offset the dilutive impact of treasury shares issued under our equity compensation plans. The value of these share repurchases in a given period varies based on the volume of stock options exercised and our market price. In addition, we periodically repurchase shares of Common Stock pursuant to Board-authorized programs intended to drive additional stockholder value. Details regarding our share repurchases are as follows:

In millions	Three Months Ended	
	March 31, 2024	April 2, 2023
Milton Hershey School Trust repurchase (1)	\$ —	\$ 239.9
Shares repurchased in the open market under pre-approved share repurchase programs (2)	400.0	—
Shares repurchased in the open market to replace Treasury Stock issued for stock options and incentive compensation	\$ 94.2	—
Cash used for total share repurchases (excluding excise tax)	\$ 494.2	\$ 239.9
Total shares repurchased under pre-approved share repurchase programs	2.0	1.0

(1) In February 2023, the Company entered into a Stock Purchase Agreement with Hershey Trust Company, as trustee for the Milton Hershey School Trust (the "School Trust"), pursuant to which the Company purchased 1,000,000 shares of the Company's Common Stock from the Milton Hershey School Trust at a price equal to \$239.91 per share, for a total purchase price of \$239.9 million.

(2) In July 2018, our Board of Directors approved a \$500 million share repurchase authorization. In May 2021, authorization to repurchase shares of our Board of Directors approved an additional \$500 million share repurchase authorization. As a result of the February 2023 Stock Purchase Agreement with Hershey Trust Company, as trustee for the School Trust, the July 2018 share repurchase authorization was completed. In May 2021, our Board of Directors approved an additional \$500 million share repurchase authorization, which was completed as of March 31, 2024. In December 2023, our Board of Directors approved an additional \$500 million share repurchase authorization. This program commenced after the existing May 2021 authorization was completed and is to be utilized at management's discretion. As a result of October 1, 2023, the share repurchase authorization, approximately \$370 million remained \$470 million remains available for repurchases under our May 2021 December 2023 share repurchase authorization. We are authorized to purchase our outstanding shares in open market and privately negotiated transactions. The program has no

expiration date and acquired shares of Common Stock will be held as treasury shares. Purchases under approved share repurchase program does not have an expiration date. We expect 2023 share repurchases authorizations are in addition to be in line with our traditional buyback strategy, practice of buying back shares sufficient to offset those issued under incentive compensation plans.

- *Proceeds from exercised stock options and employee tax withholding.* During the first nine three months of 2023, 2024, we received \$24.3 million \$4.1 million from employee exercises of stock options and paid \$34.1 million \$26.4 million of employee taxes withheld from share-based awards. During the first nine three months of 2022, 2023, we received \$30.8 million \$15.2 million from employee exercises of stock options and paid \$34.7 million \$28.3 million of employee taxes withheld from share-based awards. Variances are driven primarily by the number of shares exercised and the share price at the date of grant.



Recent Accounting Pronouncements

Information on recently adopted and issued accounting standards is included in [Note 1](#) to the Unaudited Consolidated Financial Statements.

Critical Accounting Estimates

For information regarding the Company's critical accounting estimates, refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2023 Annual Report on Form 10-K. There have been no material changes to the Company's critical accounting estimates since December 31, 2023.

Safe Harbor Statement

We are subject to changing economic, competitive, regulatory and technological risks and uncertainties that could have a material impact on our business, financial condition or results of operations. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we note the following factors that, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions that we have discussed directly or implied in this Quarterly Report on Form 10-Q. Many of these forward-looking statements can be identified by the use of words such as "anticipate," "assume," "believe," "continue," "estimate," "expect," "forecast," "future," "intend," "plan," "potential," "predict," "project," "strategy," "target" and similar terms, and future or conditional tense verbs like "could," "may," "might," "should," "will" and "would," among others.

The factors that could cause our actual results to differ materially from the results projected in our forward-looking statements include, but are not limited to the following:

- Our Company's reputation or brand image might be impacted as a result of issues or concerns relating to the quality and safety of our products, ingredients or packaging, human and workplace rights, and other environmental, social or governance matters, which in turn could result in litigation or otherwise negatively impact our operating results;
- Disruption to our manufacturing operations or supply chain could impair our ability to produce or deliver finished products, resulting in a negative impact on our operating results;
- We might not be able to hire, engage and retain the talented global workforce human capital we need to drive our growth strategies;
- Risks associated with climate change and other environmental impacts, and increased focus and evolving views of our customers, stockholders and other stakeholders on climate change issues, could negatively affect our business and operations;
- Increases in raw material and energy costs, along with the availability of adequate supplies of raw materials and our ability to successfully hedge against volatility in raw material pricing, could affect future financial results;
- Price increases may not be sufficient to offset cost increases and maintain profitability or may result in sales volume declines associated with pricing elasticity;
- Market demand for new and existing products could decline;
- Increased marketplace competition could hurt our business;
- Our financial results may be adversely impacted by the failure to successfully execute or integrate acquisitions, divestitures and joint ventures;
- Our international operations may not achieve projected growth objectives, which could adversely impact our overall business and results of operations;

- We may not fully realize the expected cost savings and/or operating efficiencies associated with our strategic initiatives or restructuring programs, which may have an adverse impact on our business;
- Changes in governmental laws and regulations could increase our costs and liabilities or impact demand for our products;

- Political, economic and/or financial market conditions, including impacts on our business arising from the ongoing conflict between Russia and Ukraine, and the recent conflict in the Gaza Strip, could negatively impact our financial results;
- Disruptions, failures or security breaches of our information technology infrastructure could have a negative impact on our operations;
- Complications with the design, implementation or implementation usage of our new enterprise resource planning system, including the ability to support post-implementation efforts and maintain enhancements, new features or modifications, could adversely impact our business and operations; and
- Such other matters as discussed in our 2022 2023 Annual Report on Form 10-K our Quarterly Report on Form 10-Q for the quarterly periods ended April 2, 2023 and July 3, 2023, and this Quarterly Report on Form 10-Q, including Part II, Item 1A, "Risk Factors."

We undertake no obligation to publicly update or revise any forward-looking statements to reflect actual results, changes in expectations or events or circumstances after the date this Quarterly Report on Form 10-Q is filed.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

The total amount of short-term debt, net of cash, amounted to net debt of \$348.6 million \$769.2 million and net debt of \$230.0 million \$317.9 million, at October 1, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. A hypothetical 100 basis point increase in interest rates applied to this variable-rate short-term debt as of October 1, 2023 March 31, 2024 would have changed interest expense by approximately \$2.3 million \$1.9 million for the first nine three months of 2023 2024 and \$4.5 million \$3.1 million for 2022, 2023.

We consider our current risk related to market fluctuations in interest rates on our remaining debt portfolio, excluding fixed-rate debt converted to variable rates with fixed-to-floating instruments, to be minimal since this debt is largely long-term and fixed-rate in nature. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise. A 100 basis point increase in market interest rates would decrease the fair value of our fixed-rate long-term debt at October 1, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 by approximately \$206 million \$162 million and \$187 million \$203 million, respectively. However, since we currently have no plans to repurchase our outstanding fixed-rate instruments before their maturities, the impact of market interest rate fluctuations on our long-term debt does not affect our results of operations or financial position.

Foreign Currency Exchange Rate Risk

We are exposed to currency fluctuations related to manufacturing or selling products in currencies other than the U.S. dollar. We may enter into foreign currency forward exchange contracts to reduce fluctuations in our long or short currency positions relating primarily to purchase commitments or forecasted purchases for equipment, raw materials and finished goods denominated in foreign currencies.

The fair value of foreign currency forward exchange contracts represents the difference between the contracted and current market foreign currency exchange rates at the end of the period. We estimate the fair value of foreign currency forward exchange contracts on a quarterly basis by obtaining market quotes of spot and forward rates for contracts with similar terms, adjusted where necessary for maturity differences. The potential decline in fair value of foreign currency forward exchange contracts resulting from a hypothetical near-term adverse change in market rates of 10% was \$29.0 million \$19.2 million as of October 1, 2023 March 31, 2024 and \$18.4 \$20.2 million as of December 31, 2022 December 31, 2023, generally offset by a reduction in foreign exchange associated with our transactional activities.

Commodities—Price Risk Management and Derivative Contracts

We use futures and options contracts and other commodity derivative instruments in combination with forward purchasing of cocoa products, sugar, corn products, certain dairy products, wheat products, natural gas and diesel fuel primarily to mitigate price volatility and provide visibility to future costs within our supply chain. Significant changes impacting our commodity price risk management since our 2023 Annual Report on Form 10-K are described below.

Cocoa Products

During the first quarter of 2024, the average cocoa futures contract price was \$2.60 per pound, with a trading range of \$1.99 to \$3.35 per pound, based on the Intercontinental Exchange futures contract. This average cocoa futures contract price represents an increase of approximately 74% compared to the 2023 annual average of \$1.49 per pound. The production forecast for the 2023 – 2024 season is down significantly in Ghana and Ivory Coast, and has continued to deteriorate due to a combination of adverse weather and crop disease, leading to lower than expected outputs and a reduction in global cocoa bean inventory. Further, during April 2024, we continued to experience rising market prices for cocoa futures, which may have an impact on our financial condition and results of operations.

Our costs for cocoa products will not necessarily reflect market price fluctuations because of our forward purchasing and hedging practices (including amount and duration thereof), premiums and discounts reflective of varying delivery times, and supply and demand for our specific varieties and grades of cocoa liquor, cocoa butter and cocoa powder. We generally hedge commodity price risks for 3- to 24-month periods. As a result, the average market prices are not necessarily indicative of our average costs.

Commodity Sensitivity Analysis

Our open commodity derivative contracts had a notional value of \$155.3 million \$206.3 million as of October 1, 2023 March 31, 2024 and \$243.0 million \$94.9 million as of December 31, 2022 December 31, 2023. At the end of the third first quarter of 2023, 2024, the potential change in fair value of commodity derivative instruments, assuming a 10% decrease in the underlying commodity price, would have increased our net unrealized losses by \$17.6 million \$10.5 million, generally offset by a reduction in the cost of the underlying commodity purchases.

Other than as described above, For additional information about our market risks, have not changed significantly from those described in see Item 7A under Part II of our 2022 2023 Annual Report on Form 10-K.

The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Page 47 41



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Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management, with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of October 1, 2023 March 31, 2024. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of October 1, 2023 March 31, 2024.

Changes in Internal Controls Over Financial Reporting

We are As of March 31, 2024, we were in the process of our multi-year implementation of a new global enterprise resource planning ("ERP") system, which replaces our existing operating and financial systems. The ERP system is designed to accurately maintain the Company's financial records, enhance operational functionality, and provide timely information to the Company's management team related to the operation of the business. During the third quarter of 2022, we completed the implementation of one operating segment that is included in our International segment. In July 2023, we completed the transition to our new consolidated financial reporting book of record. During, October 2023, we completed the implementation of our new ERP system in the North America Salty Snacks segment. We updated our internal controls to reflect changes to the financial reporting business processes impacted by the implementation. Other than the implementation of the new consolidated book of record, there There have been no changes to the Company's internal control over financial reporting during the quarter ended October 1, 2023 March 31, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Further, in October 2023, we We completed the implementation of our new ERP system in the North America Salty Snacks segment. Confectionery segment and select operating segments included in our International segment in April 2024. The final implementation phase will occur in 2024 for the remainder of the business. Both implementations result new ERP system results in material changes to our internal controls over financial reporting. As changes occur, we The Company has updated the internal controls as appropriate and

will evaluate quarterly whether such changes materially affect continue to monitor the impact of the implementation on our internal control over financial reporting, reporting business processes.



PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

Information on legal proceedings is included in [Note 15](#) to the Unaudited Consolidated Financial Statements.

Item 1A. Risk Factors.

When evaluating an investment The following risk factors relating to increases in and adequate supplies of raw materials, and our Common Stock, investors multi-year implementation of a new global enterprise resource planning ("ERP") system, should consider carefully, among other things, be read in conjunction with the risk factors previously disclosed in Part I, Item 1A, "Risk Factors," of our [2022](#) 2023 Annual Report on Form 10-K (the "2023 Form 10-K") and the information contained in this Quarterly Report on Form 10-Q and our other reports and registration statements filed with the SEC. The developments described in these risk factors have heightened, or in some cases manifested, certain of the risks disclosed in the risk factor section of our 2023 Form 10-K, and such risk factors are further qualified by the information described in this Quarterly Report on Form 10-Q, including in the risk factors below.

Risk Related to the Industry in Which We Operate

Increases in raw material and energy costs, along with the availability of adequate supplies of raw materials and our ability to successfully hedge against volatility in raw material pricing, could affect future financial results.

We use many different commodities for our business, including cocoa products, sugar, corn products, dairy products, wheat products, peanuts, almonds, natural gas and diesel fuel.

Commodities are subject to price volatility and changes in supply caused by numerous factors, including:

- Commodity market fluctuations;
- Currency exchange rates;
- Imbalances between supply and demand;
- Rising levels of inflation and interest rates related to domestic and global economic conditions or supply chain issues;
- The effects of climate change, extreme weather or agricultural diseases on crop yield and quality;
- Speculative influences;
- Trade agreements among producing and consuming nations;
- Supplier compliance with commitments;
- Import/export requirements for raw materials and finished goods;
- Political unrest in producing countries;
- Introduction of living income premiums or similar requirements;
- Changes in governmental agricultural programs and energy policies; and
- Other events beyond our control such as the impacts on the business or supply chain arising from the ongoing conflict between Russia and Ukraine.

Although we use forward contracts and commodity futures and options contracts to hedge commodity prices where possible, commodity price increases ultimately result in corresponding increases in our raw material and energy costs. For example, our cost of sales during the first quarter of 2024 compared to the same period of 2023 experienced an incremental \$208.4 million of favorable mark-to-market activity on our commodity derivative instruments intended to economically hedge future years' commodity purchases, more than offsetting higher commodity costs. During the first quarter of 2024, market prices for the majority of our exchange traded commodities increased, including cocoa and sugar futures which have increased approximately 140% and 10%, respectively, since the beginning of the year. Further, we continued to experience rising market prices for cocoa futures during April 2024 due to a combination of adverse weather and crop disease, leading to lower than expected outputs and a reduction in global cocoa bean inventory.

We continue to monitor and use our risk management strategy where possible to hedge commodity prices in order to mitigate corresponding increases in our raw materials and energy costs, however, if we are unable to offset cost increases for major raw materials and energy, there could be a negative impact on our financial condition and results of operations.



Risks Related to Digital Transformation, Cybersecurity and Data Privacy

Complications with the design, implementation or usage of our new enterprise resource planning system, including the ability to support post-implementation efforts and maintain enhancements, new features or modifications, could adversely impact our business and operations.

We rely extensively on information systems and technology to manage our business and summarize operating results. We are in the process of a multi-year implementation of a new global ERP system; specifically, in April 2024, we operationalized the final phase of our project by implementing our new ERP system in the North America Confectionery segment and select operating segments included in our International segment. This ERP system replaces our legacy operating and financial systems and is designed to accurately maintain the Company's financial records, enhance operational functionality and provide timely information to the Company's management team related to the operation of the business. The ERP system implementation process has required, and will continue to require, the investment of significant personnel and financial resources as we support post-implementation efforts and system functionality. We may not be able to successfully support post-implementation efforts without experiencing delays, increased costs and other difficulties. Any disruptions or difficulties in using our ERP system could result in harm to our business, including our ability to forecast, manufacture or facilitate the shipment of our product, record net sales and collect our outstanding receivables. If we are unable to successfully manage post-implementation efforts related to our new ERP system as planned, our financial positions, results of operations and cash flows could be negatively impacted. Additionally, if the ERP system does not operate as intended, the effectiveness of our internal control over financial reporting could be adversely affected or our ability to assess those controls adequately could be further delayed.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds and Issuer Purchases of Equity Securities. Proceeds.

Issuer Purchases of Equity Securities

There were no The following table shows the purchases of our shares of Common Stock during made by or on behalf of Hershey, or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended) of Hershey, for each fiscal month in the three months ended October 1, 2023 March 31, 2024.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
				(in thousands of dollars)
January 1 through January 28	—	\$ —	—	\$ 870,073
January 29 through February 25	483,033	\$ 194.39	—	\$ 870,073
February 26 through March 31	—	\$ 197.80	2,022,064	\$ 470,073
Total	483,033	\$ —	2,022,064	

(1) During the three months ended October 1, 2023 March 31, 2024, no 483,033 shares of Common Stock were purchased in open market transactions in connection with our standing authorization to buy back shares sufficient to offset those issued under incentive compensation plans, which authorization does not have a dollar or share limit and is not included in our share repurchase authorizations described in the following paragraph.

(2) In May 2021, our Board of Directors approved a \$500 million share repurchase authorization, which was completed as of March 31, 2024. In December 2023, our Board of Directors approved an additional \$500 million share repurchase authorization. This program commenced after the existing May 2021 authorization was completed and is to be utilized at management's discretion. As a result of October 1, 2023 the share repurchase authorization, approximately \$370 million \$470 million remains available for repurchase repurchases under the May 2021 our December 2023 share repurchase authorization. We are authorized to purchase our outstanding shares in open market and privately negotiated transactions. The program has no expiration date and acquired shares of Common Stock will be held as treasury shares. Purchases under approved share repurchase program does not have an expiration date. authorizations are in addition to our practice of buying back shares sufficient to offset those issued under incentive compensation plans.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

**Item 5. Other Information.****Director and Executive Officer Trading**

A portion of our directors' and officers' compensation is in the form of equity awards and, from time to time, they may engage in open-market transactions with respect to their Company securities for diversification or other personal reasons. All such transactions in Company securities by directors and officers must comply with the Company's Insider Trading Policy, which requires that transactions be in accordance with applicable U.S. federal securities laws that prohibit trading while in possession of material nonpublic information. Rule 10b5-1 under the Exchange Act provides an affirmative defense that enables directors and officers to prearrange transactions in the Company's securities in a manner that avoids concerns about initiating transactions while in possession of material nonpublic information.

The following table describes During the contracts, instructions or written plans for the purchase or sale of securities adopted by our three months ended March 31, 2024, no directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) during adopted or terminated any contract, instruction, or written plan for the three months ended October 1, 2023, purchase or sale of securities that are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c). No or any other Rule 10b5-1 trading arrangements or "non-Rule 10b5-1 trading arrangements" (as defined by S-K Item 408(c)) were entered into or terminated by our directors or officers during such period.

Name and Title	Date of Adoption of 10b5-1 Plan	Duration of 10b5-1 Plan(s)	Aggregate Number of Securities to be Sold or Purchased
	10b5-1 Plan	Plan(s)	to be Sold or Purchased
Rohit Grover Senior Vice President, International	8/8/2023	3/5/2024	Sell 4,200 shares
Charles R. Raup President, U.S. Confection	8/25/2023	8/23/2024	Sell 8,260 shares
.			

(1) The plan duration is until the date listed in this column or such earlier date upon the completion of all trades under the plan (or the expiration of the orders relating to such trades without execution) or the occurrence of such other termination events as specified in the plan.

Item 6. Exhibits.

The following exhibits are filed as part of this Quarterly Report on Form 10-Q:

Exhibit Number	Description
3.1	The Company's Restated Certificate of Incorporation, as amended, is incorporated by reference from Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 3, 2005.
3.2	The Company's By-laws, as amended and restated as of February 21, 2017, are incorporated by reference from Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.
31.1	Certification of Michele G. Buck, Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Steven E. Voskuil, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Michele G. Buck, Chief Executive Officer, and Steven E. Voskuil, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarterly period ended October 1, 2023 March 31, 2024 , formatted in Inline XBRL and contained in Exhibit 101.
*	Filed herewith
**	Furnished herewith

The Hershey Company | [Q3 2023](#) [Q1 2024](#) Form 10-Q | Page [51](#) [46](#)



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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE HERSHY COMPANY
(Registrant)

Date: [October 26, 2023](#) [May 3, 2024](#)

/s/ Steven E. Voskuil

Steven E. Voskuil

Senior Vice President, Chief Financial Officer
(Principal Financial Officer)

Date: [October 26, 2023](#) [May 3, 2024](#)

/s/ Jennifer L. McCalman

Jennifer L. McCalman

Vice President, Chief Accounting Officer
(Principal Accounting Officer)

The Hershey Company | [Q3 2023](#) [Q1 2024](#) Form 10-Q | Page [52](#) [47](#)



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Exhibit 31.1

CERTIFICATION

REFINITIV CORPORATE DISCLOSURES | [www.refinitiv.com](#) | Contact Us

71/74

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REFINITIV

I, Michele G. Buck, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Hershey Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MICHELE G. BUCK

Michele G. Buck
Chief Executive Officer
(Principal Executive Officer)

October 26, 2023 May 3, 2024



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The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Exhibit 31.1

Exhibit 31.2

CERTIFICATION

I, Steven E. Voskuil, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Hershey Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over

financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ STEVEN E. VOSKUIL

Steven E. Voskuil
Chief Financial Officer
(Principal Financial Officer)

October 26, 2023 May 3, 2024



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The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Exhibit 31.2

Exhibit 32.1

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of The Hershey Company (the "Company") hereby certify, to the best of their knowledge, that the Company's Quarterly Report on Form 10-Q for the quarterly period ended **October 1, 2023** **March 31, 2024** (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **October 26, 2023** May 3, 2024

/s/ MICHELE G. BUCK

Michele G. Buck
Chief Executive Officer
(Principal Executive Officer)

Date: **October 26, 2023** May 3, 2024

/s/ STEVEN E. VOSKUIL

Steven E. Voskuil
Chief Financial Officer
(Principal Financial Officer)



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The Hershey Company | Q3 2023 Q1 2024 Form 10-Q | Exhibit 32.1

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