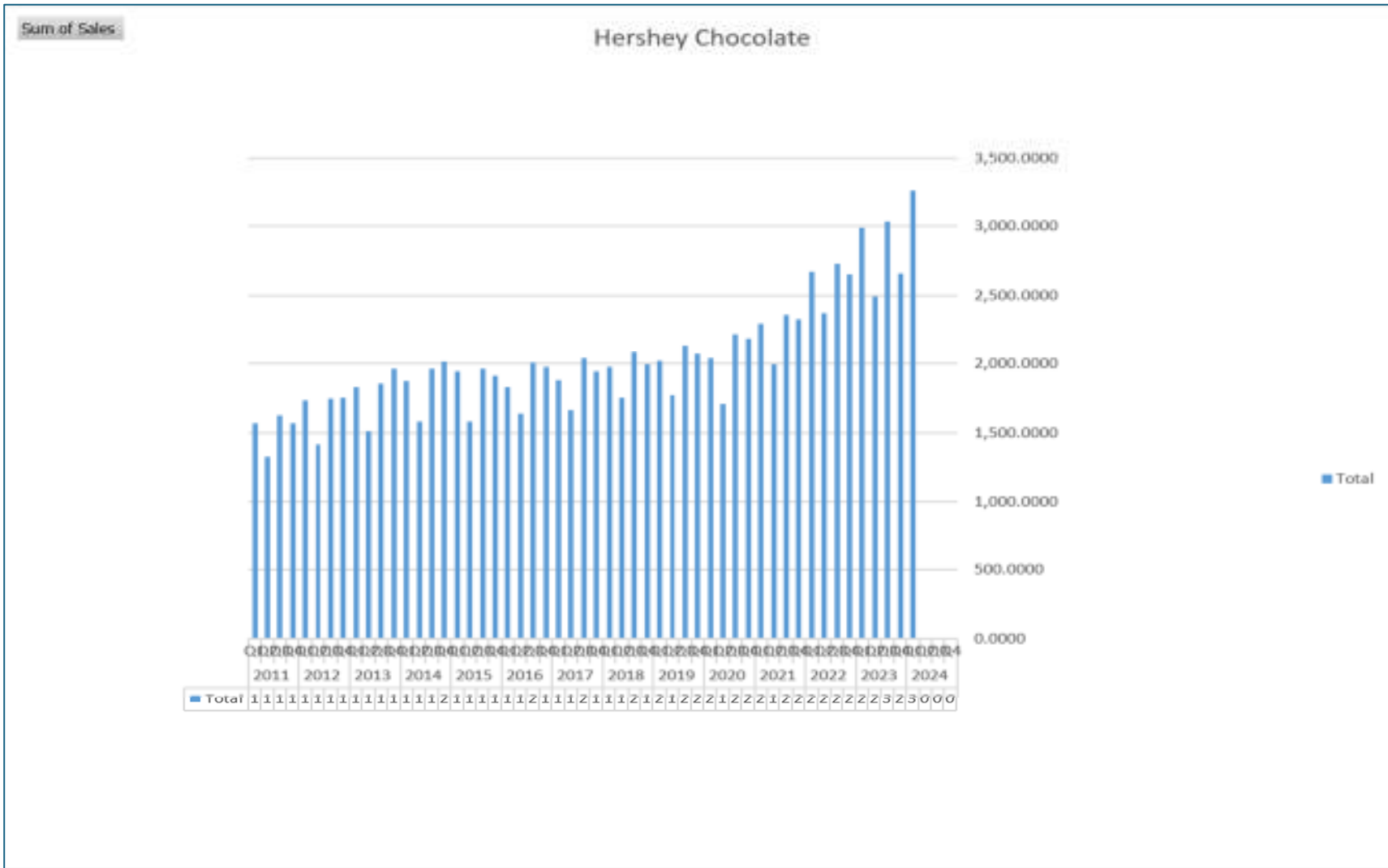


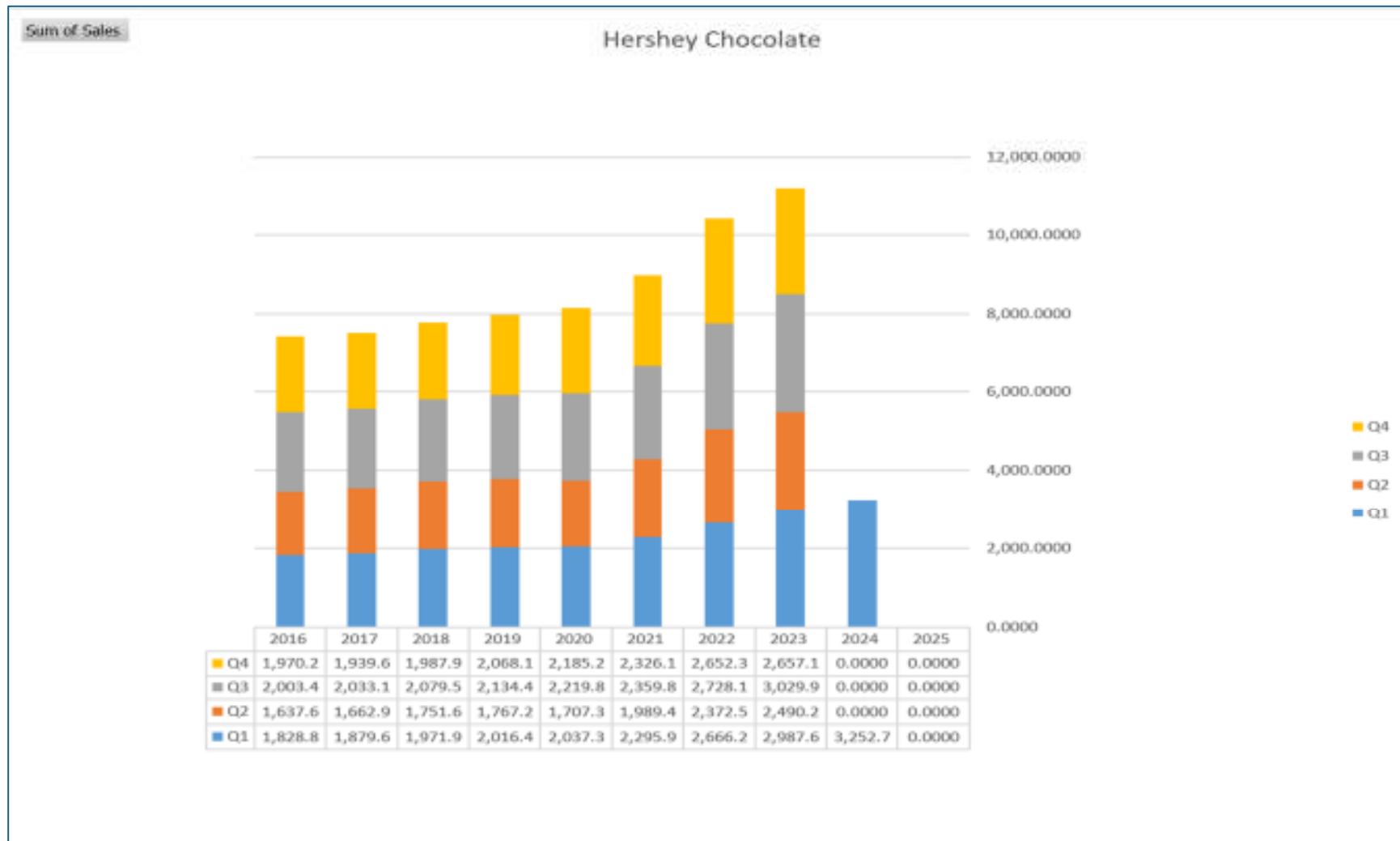
Hershey's sales. Seasonality imbues noise into the analysis – Easter, Halloween, etc. Therefore, the sales numbers are lumpy when compared quarter to quarter. The numbers supporting this are on page 2. There seems to be a general uptick in their sales around 2021.



Here are the numbers supporting the sales since the data table on the bottom of the graph (prior page – total line.) isn't big enough to show the numbers.

Year	Quarter	Sum of Sales
2016	Q1	1,828.8120
	Q2	1,637.6710
	Q3	2,003.4540
	Q4	1,970.2440
2017	Q1	1,879.6780
	Q2	1,662.9910
	Q3	2,033.1210
	Q4	1,939.6360
2018	Q1	1,971.9590
	Q2	1,751.6150
	Q3	2,079.5930
	Q4	1,987.9020
2019	Q1	2,016.4880
	Q2	1,767.2170
	Q3	2,134.4220
	Q4	2,068.1250
2020	Q1	2,037.3170
	Q2	1,707.3290
	Q3	2,219.8290
	Q4	2,185.2440
2021	Q1	2,295.9480
	Q2	1,989.4220
	Q3	2,359.8390
	Q4	2,326.1280
2022	Q1	2,666.2210
	Q2	2,372.5820
	Q3	2,728.1530
	Q4	2,652.3380
2023	Q1	2,987.6140
	Q2	2,490.2800
	Q3	3,029.9870
	Q4	2,657.1110
2024	Q1	3,252.7490
	Q2	n.nnnn

Now, let's look at the same numbers stacked. By stacked, I am referring to all quarters associated with a year on a single column. These are exactly the same numbers as page 1's chart, just stacked. It is clear that 2021 was an inflection point to higher sales.



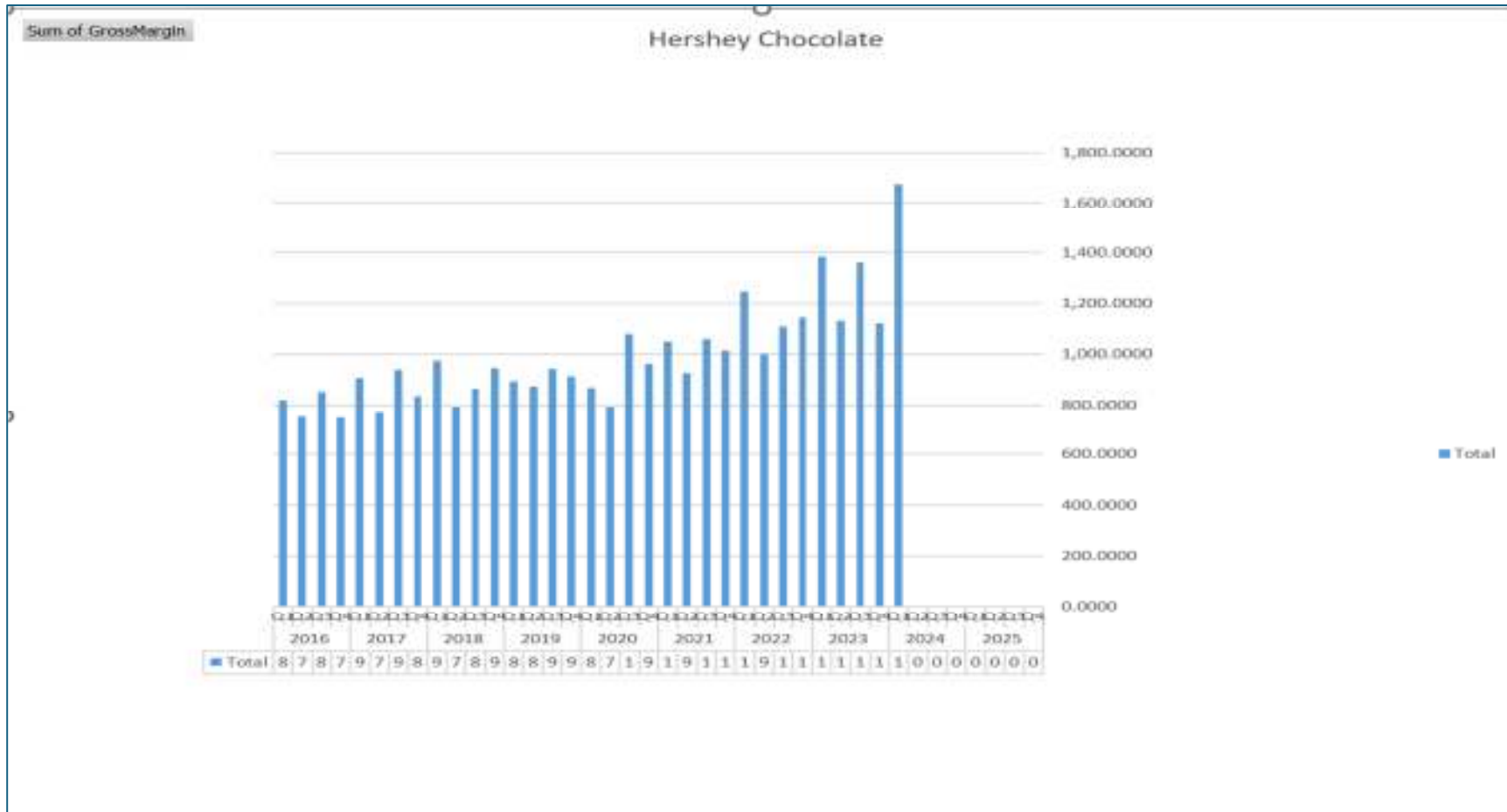
Here are the same sales numbers. They are shown as a pivot table supporting a stacked chart (prior page).

Sum of Sales	Quarter				
Year	Q1	Q2	Q3	Q4	
2016	1,828.8120	1,637.6710	2,003.4540	1,970.2440	
2017	1,879.6780	1,662.9910	2,033.1210	1,939.6360	
2018	1,971.9590	1,751.6150	2,079.5930	1,987.9020	
2019	2,016.4880	1,767.2170	2,134.4220	2,068.1250	
2020	2,037.3170	1,707.3290	2,219.8290	2,185.2440	
2021	2,295.9480	1,989.4220	2,359.8390	2,326.1280	
2022	2,666.2210	2,372.5820	2,728.1530	2,652.3380	
2023	2,987.6140	2,490.2800	3,029.9870	2,657.1110	
2024	3,252.7490	0.0000	0.0000	0.0000	
2025	0.0000	0.0000	0.0000	0.0000	

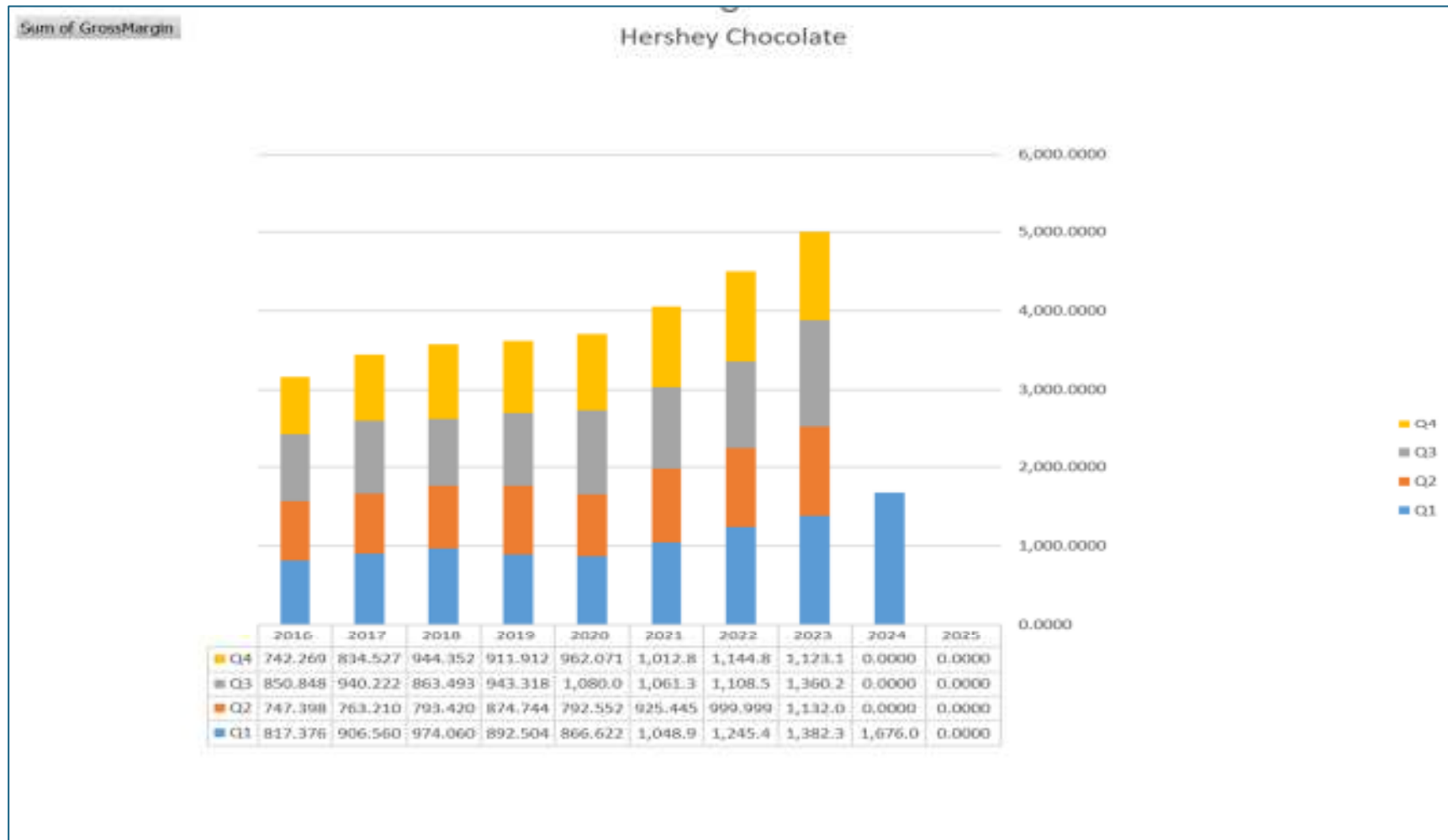
So sales are taking off. This is likely caused by prices increases primarily although there is probably an increase in the volume HSY sells.

Now let's look at gross margin. For those who don't know, gross margin is sales minus the costs **directly** associated with the production of those goods. These are costs for the factory, the cocoa, sugar, factory labor, etc. This does not include administrative costs, marketing costs, etc which are **indirect** costs. This will tell us how HSY is doing earning revenues relative to the costs of producing those goods to sell. One important factor is the input costs. If input costs rise too high relative to revenues, gross margin can get squeezed.

This graph is unstacked gross margin dollars. Clearly in the most recent quarter, gross margin has moved significantly up!

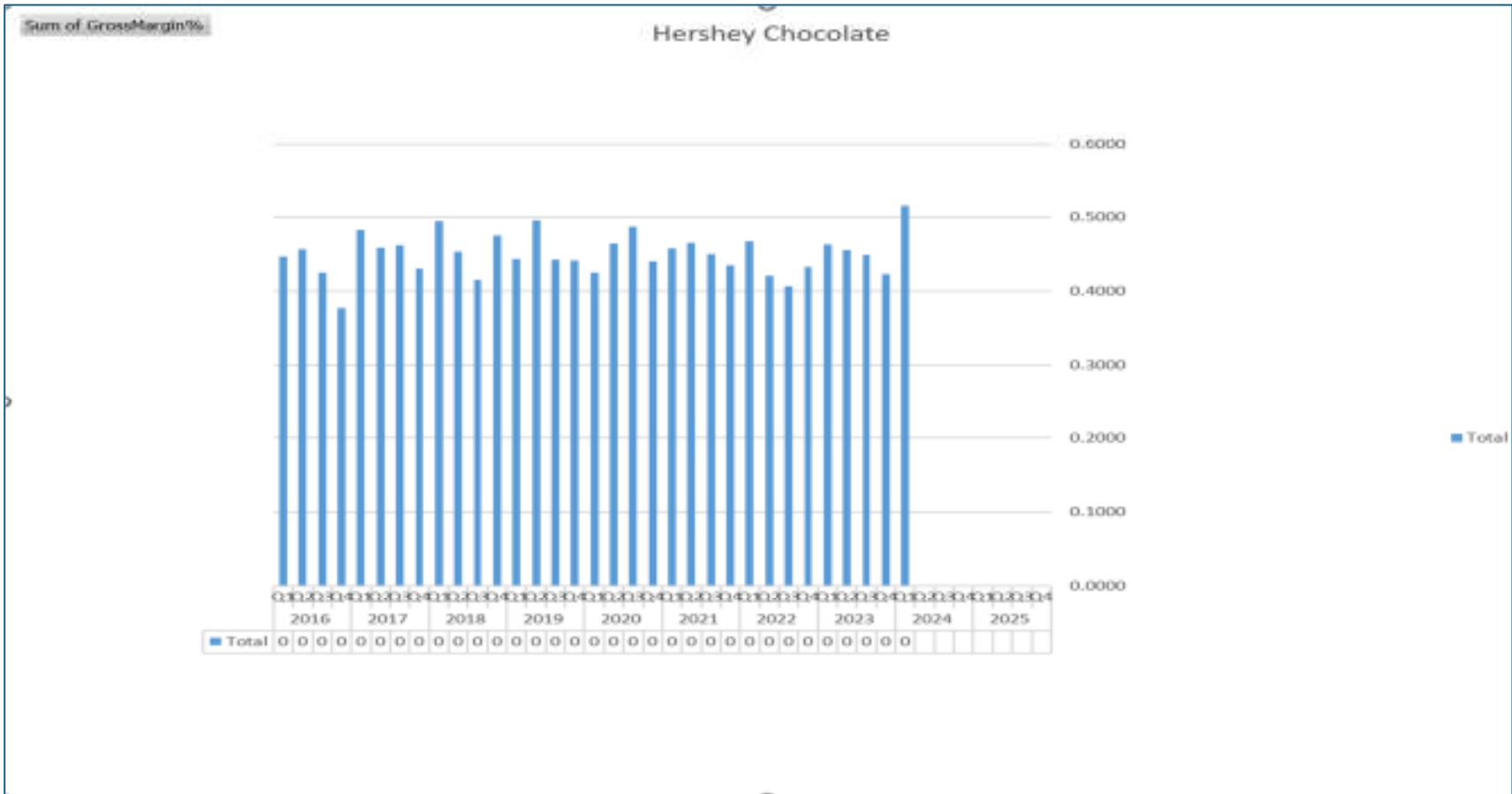


Now lets look at gross margin dollars stacked. Looking at the blue bars (quarter 1) , you can see a solid uptick in the most recent quarter's gross margin. Therefore, HSY is able to raise their sales prices more than their input costs are rising. This is a good sign of market strength!



Another way to look at gross margin is the gross margin dollars compared to the revenue dollars. This is shown in the graph below.

In the most recent quarter, **HSY has achieved the highest gross margin since 2016!** The trend show a clear margin of over 50% in the most recent quarter. HSY has pricing power to pass on their increased costs to their customers.



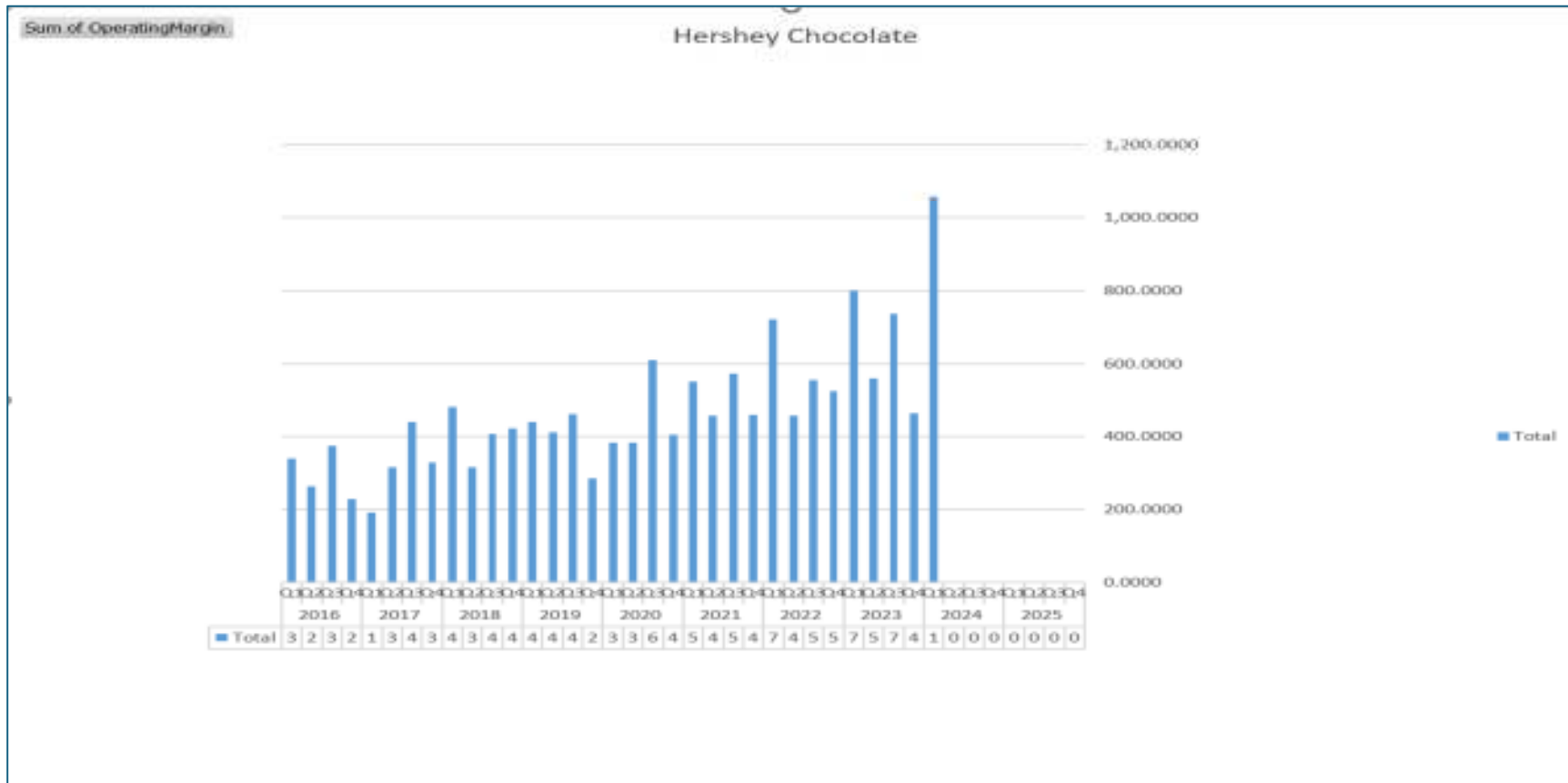
Here are the gross margin % numbers for the chart on the prior page.

Year	Quarter	Sum of GrossMargin%
2016	Q1	0.4470
	Q2	0.4560
	Q3	0.4250
	Q4	0.3770
2017	Q1	0.4820
	Q2	0.4590
	Q3	0.4620
	Q4	0.4300
2018	Q1	0.4940
	Q2	0.4530
	Q3	0.4150
	Q4	0.4750
2019	Q1	0.4430
	Q2	0.4950
	Q3	0.4420
	Q4	0.4410
2020	Q1	0.4250
	Q2	0.4640
	Q3	0.4870
	Q4	0.4400
2021	Q1	0.4570
	Q2	0.4650
	Q3	0.4500
	Q4	0.4350
2022	Q1	0.4670
	Q2	0.4210
	Q3	0.4060
	Q4	0.4320
2023	Q1	0.4630
	Q2	0.4550
	Q3	0.4490
	Q4	0.4230
2024	Q1	0.5150

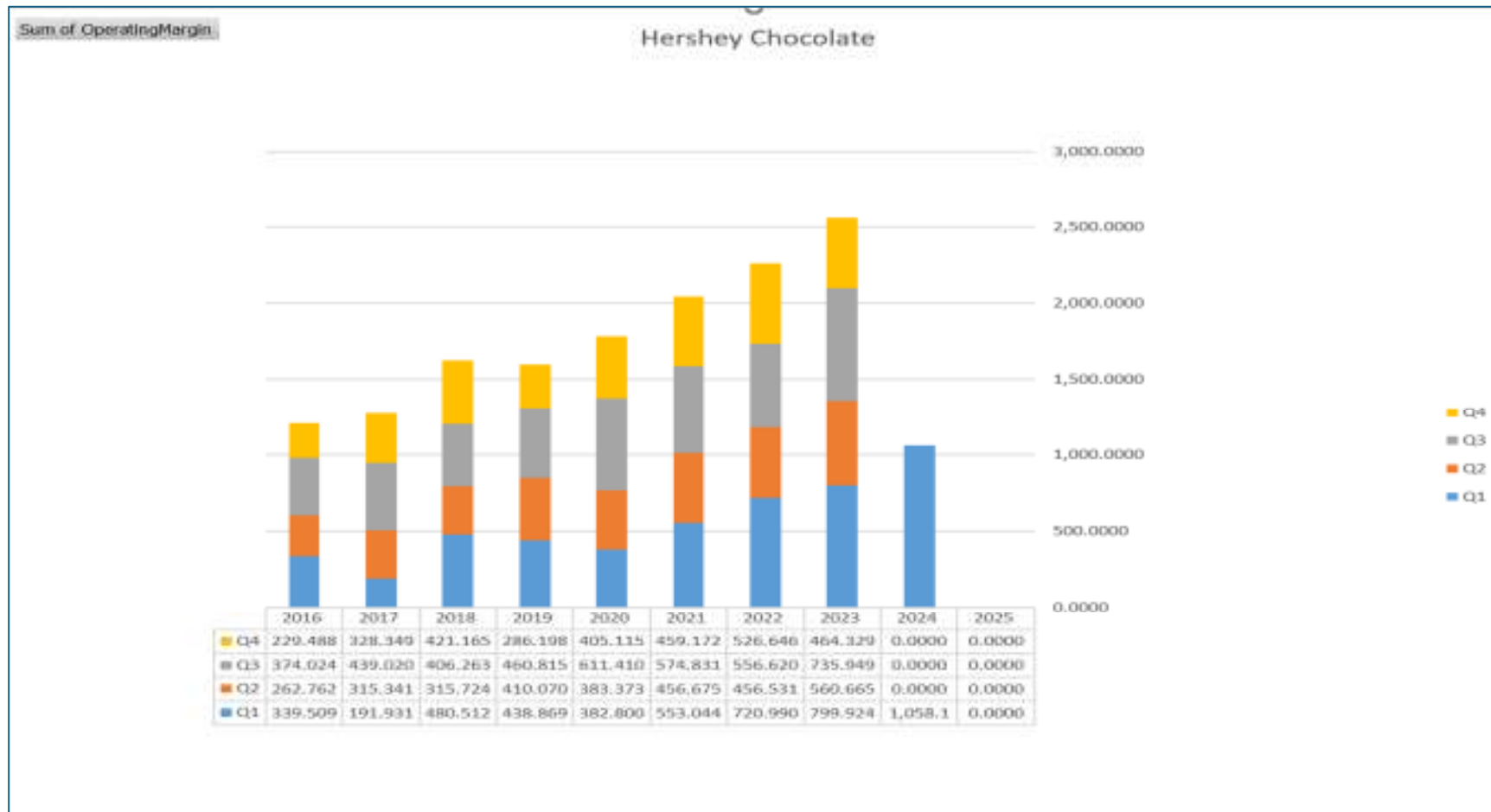


Operating margin is EBIT. EBIT is earnings before interest and taxes. This is gross margin dollars (discussed above) minus all other indirect costs associated with business that are not directly associated with the production of the product. In HSY's case, this would be administrative expenses such as corporate functions – accounting, marketing, etc.

Below is HSY's unstacked operating dollar margin. A cursory look at the graph below shows that operating margin has really boomed in the most recent quarter. This is the result of the strong gross margin they have been able to achieve plus solid control over administrative costs. **This is a clear sign that management is doing an excellent job producing profits!**



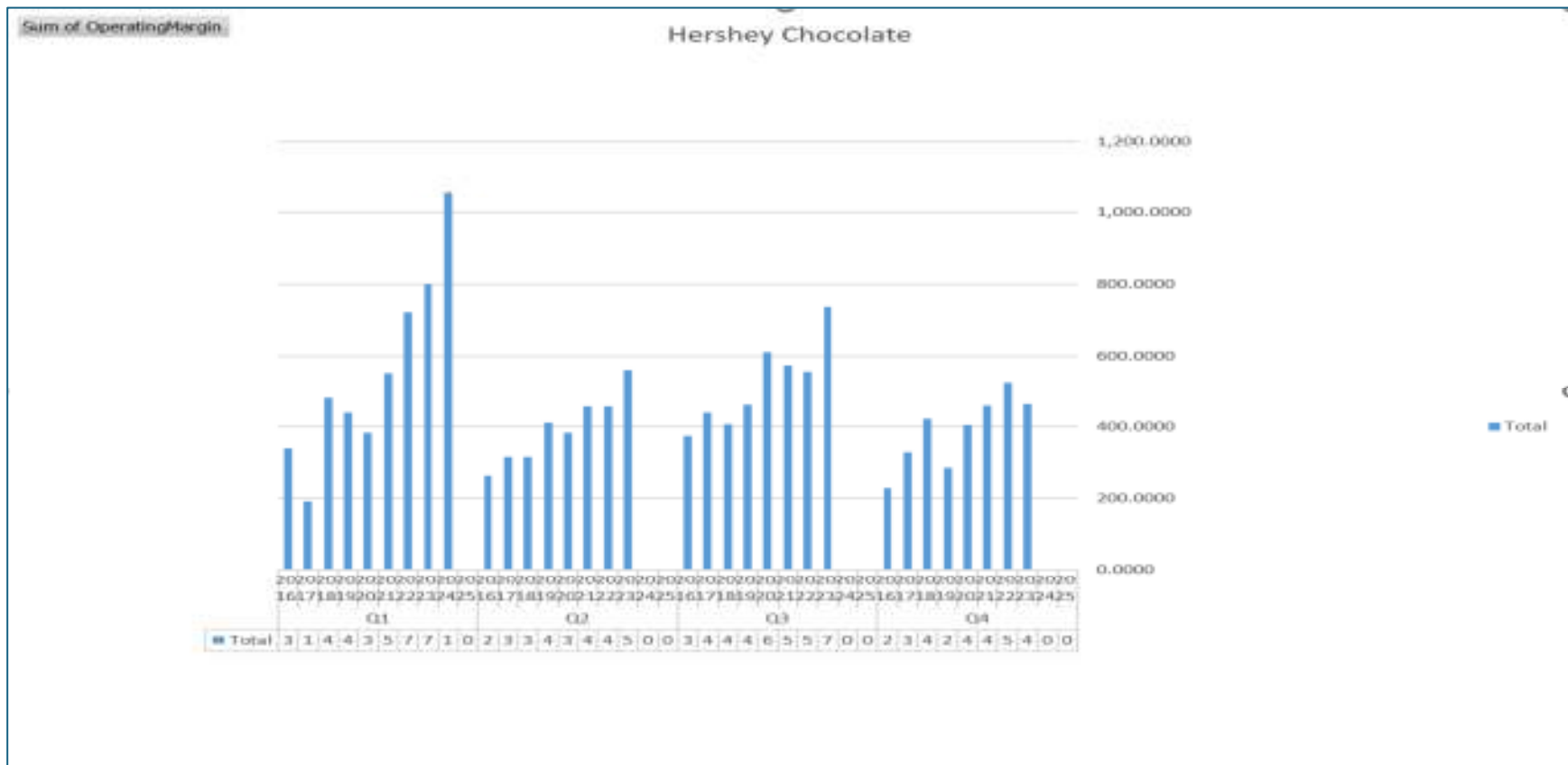
Now let's look at stacked operating profits to see the trend. The operating profit in dollars is moving solidly ahead! **The trend in quarter 1's is clearly up!**



Let's take a look at dollar operating margin in a different way. The graph below is exactly the same as the graph on the previous page except quarters are grouped together – all first quarters together, all second quarters together, etc.

Here is what I see. Operating dollar margin for the most recent quarter 1 is much higher than the prior year's quarter 1 – a very good sign. Also, quarter 4 of the prior year showed a significant drop from the previous year's quarter 4. While operating profit in most quarters generally is increasing for most periods, quarter 4 of 2023 showed a drop.

HSY has gone from a market price of 275 in May of 2023 to it's current range of 178 to 200. HSY has been unduly punished for aberrant quarters in my opinion.



The chart below is the earnings per share. In the most recent quarter, HSY is showing very strong earnings. No question about it.

The stock market has been punishing HSY since May of 2023 by knocking them down from 275 to current levels. In my mind, this is clearly a case of the market being inefficient in how it prices HSY.

