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SOCIETE GENERALE GROUP



Bernstein University US 2025

How U.S. Food has transformed over the past 2 decades and what this tells us about the winners and losers from here

October 16, 2025

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See Disclosure Appendix of this report for important Disclosures and Analyst Certifications

First Published: 06 Oct 2025 21:58 UTC Completion Date: 06 Oct 2025 21:58 UTC

Agenda

- **What drives fundamental performance in US Food?**

- What has changed over the past 10 years?
- How has the pandemic changed the landscape?
- What is the likely long view from here?
- What are the big themes going forward?

The Recipe for Success in U.S. Food

How do packaged food companies create long-term shareholder value?

1

**Operate in
Attractive Markets
(Fast Growing and Profitable)**

2

**Persistence of Growth
and Profitability**

3

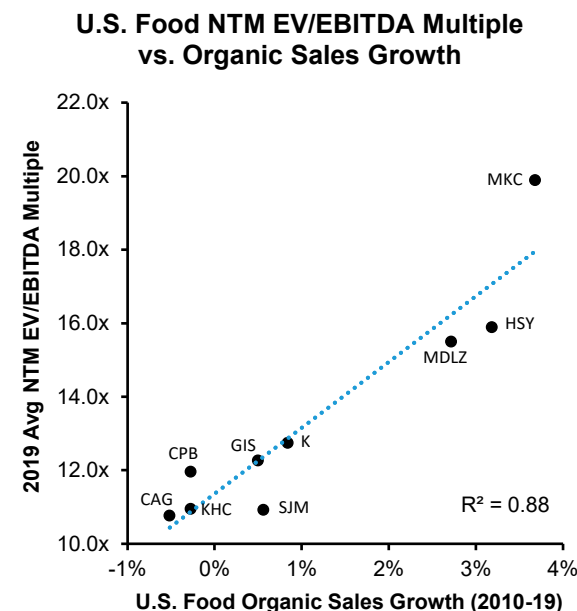
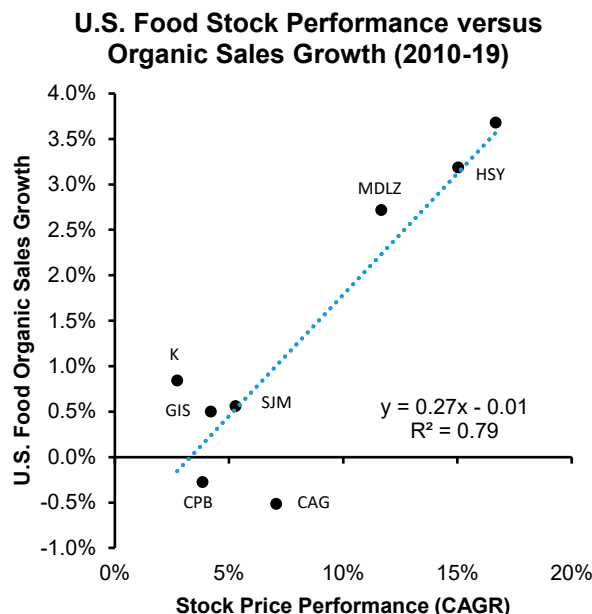
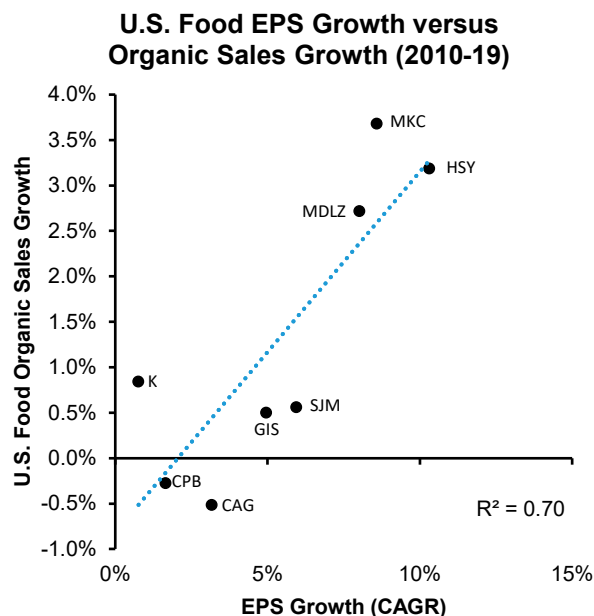
**Prudent Capital
Allocation**

4

Execute Effectively

1) Operate in Attractive Markets – Growth

- From 2010-19 our US Food coverage saw a clear relationship between EPS growth and organic sales growth
- This relationship also holds for stock performance, with strong organic sales growth translating into strong share performance
 - MKC, HSY, and MDLZ were the fastest growing companies and experienced the best returns within our US Food coverage from 2010-19
- Organic sales growth also exhibits a strong positive relationship with valuation (i.e. faster growing companies tend to have higher multiples)

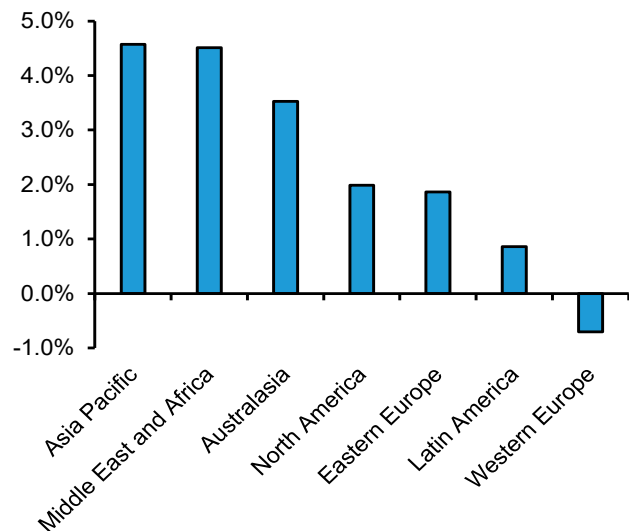


Source: Company filings, Bloomberg, Bernstein analysis

1) Operate in Attractive Markets – Regional Growth

- From 2010-19 the Asia Pacific and Middle East & Africa regions grew the fastest within Food growing 4.6% and 4.5% versus a slower growing North America and Europe
- We expect this trend to continue, with geographic growth led by Emerging market regions such as Asia Pacific (in particular India), the Middle East and Africa, and Latin America
- We favor companies within our coverage that exhibit greater exposure to these regions with Mondelez the most exposed, followed by McCormick and Kellanova, while Smucker's, Conagra, and Hershey hold a more U.S. centric sales base

Annual Global Growth by Region
2010 - 2019

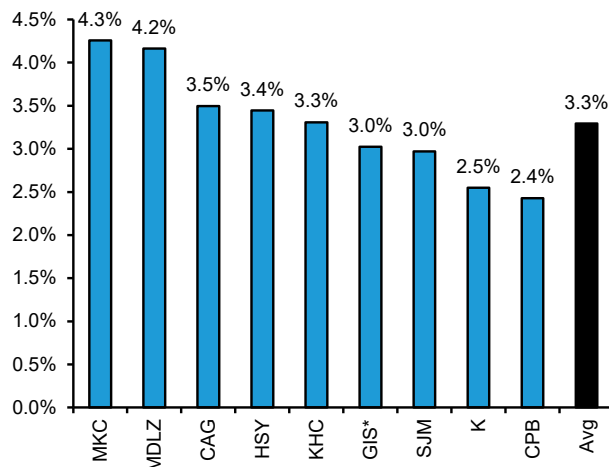


	CAG	CPB	GIS	HSY	K	KHC	MDLZ	MKC	SJM
North America	95%	86%	78%	93%	54%	68%	26%	63%	99%
Western Europe	0%	0%	9%	0%	24%	15%	32%	13%	0%
Central/Eastern Europe	0%	0%	0%	0%	4%	2%	11%	5%	0%
Latin America	2%	1%	3%	4%	6%	4%	10%	8%	1%
Australasia	3%	13%	9%	3%	9%	9%	17%	10%	1%
Middle East/Africa	0%	0%	1%	0%	3%	1%	3%	0%	0%

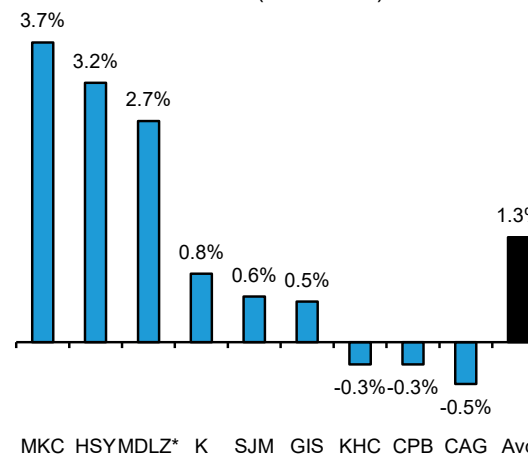
1) Operate in Attractive Markets – Category Growth

- In the decade leading up to the pandemic our U.S. Food coverage exhibited an average growth rate of 1.3% (1.4% price, -0.1% volume) with a wide dispersion across 2 cohorts
- Mondelez, Hershey, and McCormick exhibited an average growth rate of 3.2% while the rest of our coverage averaged roughly flat growth
- Despite historically lackluster growth for the bottom 6 companies, their long-term growth algorithms remain ambitious—we remain skeptical U.S.-centric names in our coverage will be able to achieve these growth targets
- We expect MDLZ, HSY, and MKC growth to continue to outpace the US Food average going forward

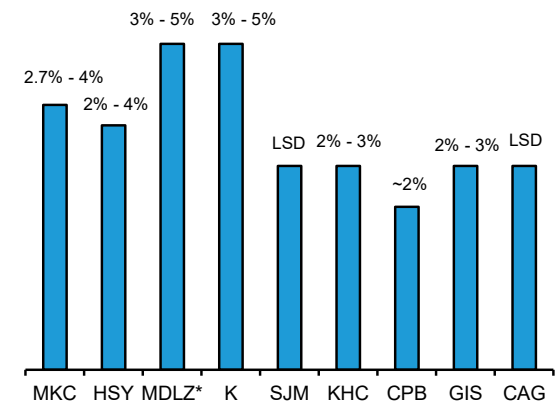
Euromonitor Forecasted Category Growth



U.S. Food: Reported Organic Sales Growth (2010-2019)



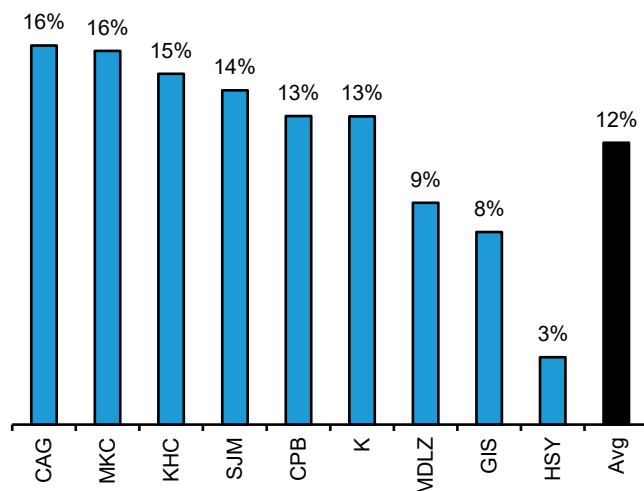
U.S. Food: Long Term Growth Algorithm Targets



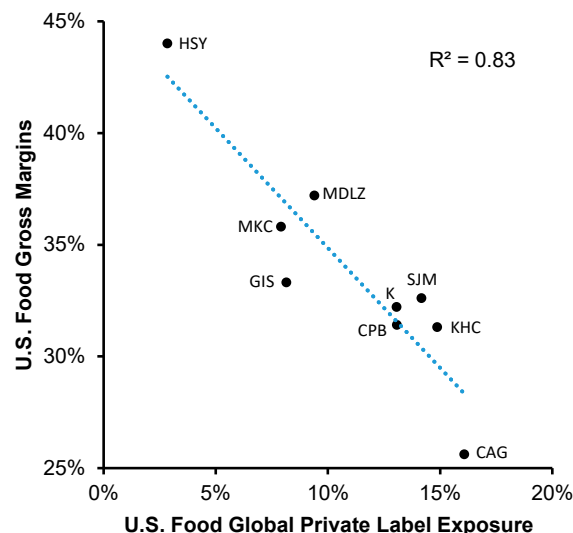
1) Operate in Attractive Markets – Private Label

- We believe category profitability is highly related to category concentration and private label penetration—the more concentrated the category and lower the private label penetration the more profitable the category tends to be
- This is reflected in the data, with company gross margins and private label product penetration within their categories experiencing a negative relationship
- Within our coverage, we estimate in the medium-to-long term **that Mondelez, Hershey, and McCormick will exhibit the fastest growth operating in the most profitable categories, translating into the strongest EPS growth.**

U.S. Food Private Label Exposure in Categories Companies Compete in (2022)



U.S. Food Company Gross Margins and Private Label Exposure (2022)

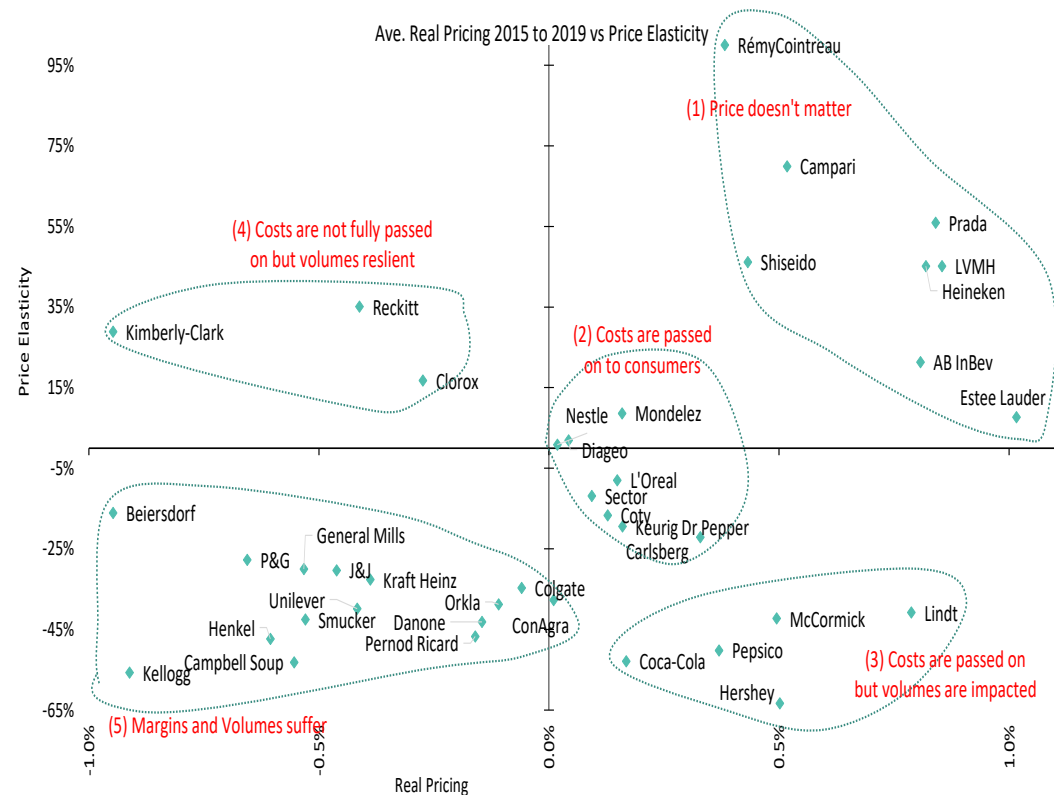
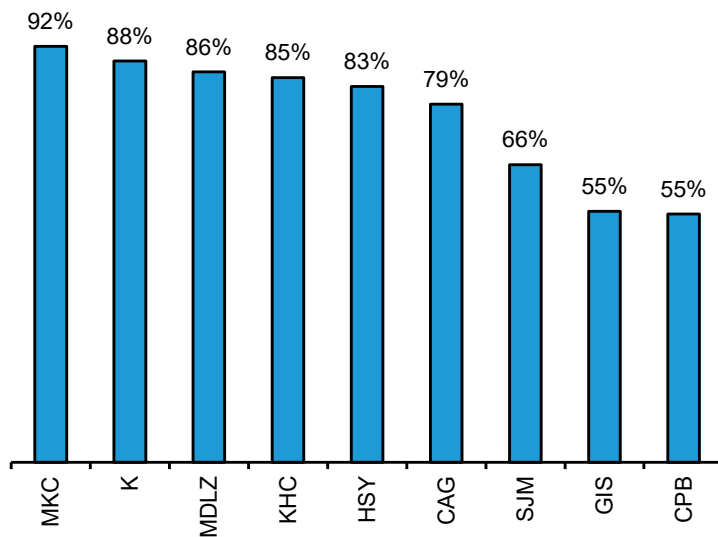


*MKC private label penetration is estimated ~15.8%, of which we estimate roughly half if made by MKC. PL non-MKC is represented in the exhibit as 7.9%.

1) Operate in Attractive Markets – Dominant Brands

- Companies with a higher percentage of sales that stem from categories where they are the #1 or #2 brand tend to have strong pricing power and typically translates into category leading profitability
- McCormick, Kellanova, and Mondelez all exhibit strong leadership positions within their categories with over 85% of their sales stemming from categories where they are the #1 or #2 brand

U.S. Food % of Sales Where Company Ranks #1 and #2



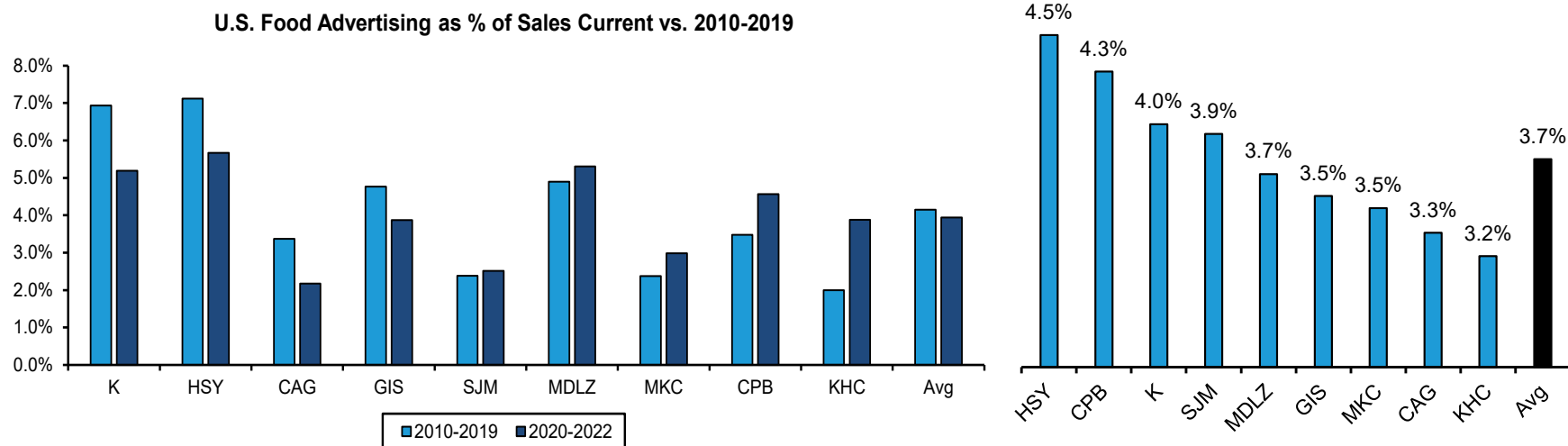
2) Persistence of Growth and Profitability

- While market share concentration and stability do not guarantee high category profitability, we find the two to be highly correlated with one another
 - A stable market share with high category concentration typically indicates high barriers to entry, translating into a more sustainable ROIC for the category
- Market share stability remains high for the U.S. Food sector, despite having ceded a relatively modest amount of market share over the past 8 years
- Over the last 10 years HSY, CPB, KHC, and MDLZ exhibited the best market share performance suggesting they have durable category moats that could lead to more persistent margins and ROICs over time

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2022 vs. 2014
CAG	20.3%	20.3%	19.9%	19.5%	19.1%	18.7%	18.3%	18.0%	17.6%	-2.7%
CPB	32.4%	31.8%	31.7%	31.7%	31.2%	31.1%	32.5%	32.9%	32.4%	0.0%
GIS	21.8%	21.3%	20.5%	20.0%	19.9%	19.9%	19.8%	19.9%	19.9%	-1.9%
HSY	30.4%	30.4%	31.2%	29.9%	29.6%	30.2%	32.1%	33.0%	32.9%	2.5%
K	25.2%	24.5%	23.7%	23.1%	22.9%	22.5%	22.3%	22.3%	21.6%	-3.6%
KHC	33.9%	33.8%	33.6%	33.3%	32.7%	32.6%	32.7%	33.1%	33.2%	-0.7%
MDLZ	35.7%	35.8%	35.6%	35.3%	35.0%	34.8%	34.9%	35.0%	34.8%	-0.9%
MKC	36.7%	36.2%	36.2%	35.5%	36.0%	35.7%	36.7%	35.8%	35.3%	-1.3%
SJM	24.1%	23.4%	22.6%	22.1%	21.9%	21.9%	22.4%	22.7%	20.8%	-3.4%
Avg	28.9%	28.6%	28.3%	27.8%	27.6%	27.5%	27.9%	28.1%	27.6%	-1.3%

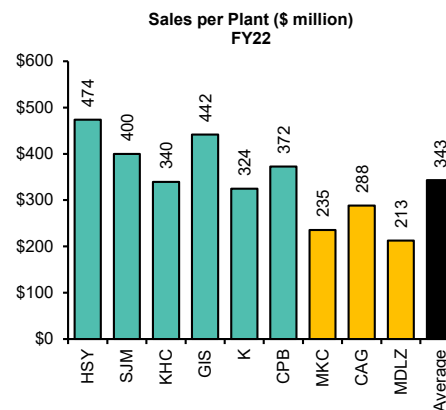
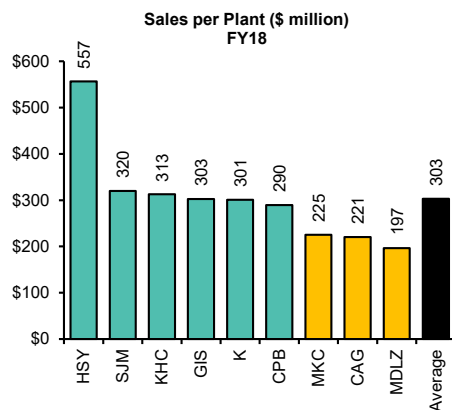
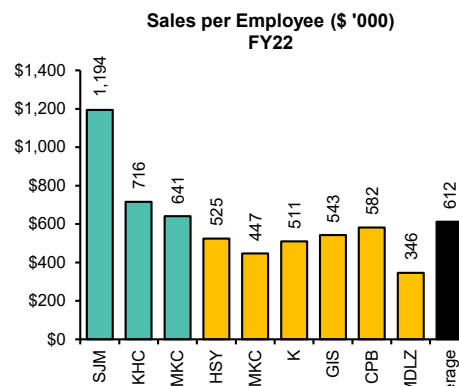
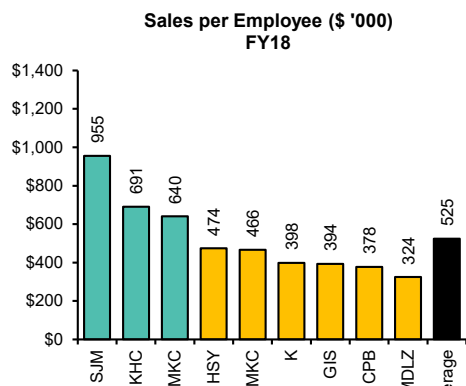
3) Prudent Capital Allocation

- The US Food sector spent ~3.8% of sales on advertising and ~3.6% on capex from 2010-19 at a fairly stable annual rate
- Within our coverage Hershey, Mondelez, and Kellanova demonstrate the strongest capital allocation skills, by prioritizing organic growth (through investments in tangible and intangible assets) over inorganic growth via M&A
- Mondelez and Hershey were also the two largest buyers of stock during this period—a positive as their share prices outperformed the S&P 500 and U.S. Food average.



4) Execute Effectively

- As a whole the U.S. Food sector saw an improvement in its operational strength, as sales per plant, sales per employee, and EBIT per employee all increased from 2018 to 2022
 - The average sales per plant in our coverage increased from \$303m to \$351m, sales per employee from \$525k to \$612k, and EBIT per employee from \$96k to \$103k
- Near term investments in facilities and M&A can impact company specific sales per plant (the case for HSY) but we view an improvement in these metrics as an overall positive for the sector



Recipe for Success: After 19 years of coverage, what drives shareholder value in US Food?

- We found that Mondelez and McCormick emerged as the clear positive standouts in our “Recipe for Success”, while General Mills and Conagra are worst-positioned

		MKC	HSY	MDLZ	K	KHC	SJM	GIS	CAG	CPB
	Overall Rank	1	2	3	4	5	6	7	8	9
Growth	Attractive Growth Prospects	1	2	3	4	5	8	7	9	6
Profitability	Category Leadership	1	2	3	5	4	7	8	6	9
	Private Label Exposure	8	1	3	4	7	6	2	9	5
Persistence	Market Share Stability	4	1	2	9	3	8	6	7	5
	Market Concentration (HHI)	6	3	4	1	7	9	5	8	2
Operations	Capital Allocation	6	2	1	3	5	9	7	8	4
	Operational Effectiveness	8	2	6	5	3	1	4	9	7

Rank from 1 - 9 (1 being positive, 9 being negative)

Agenda

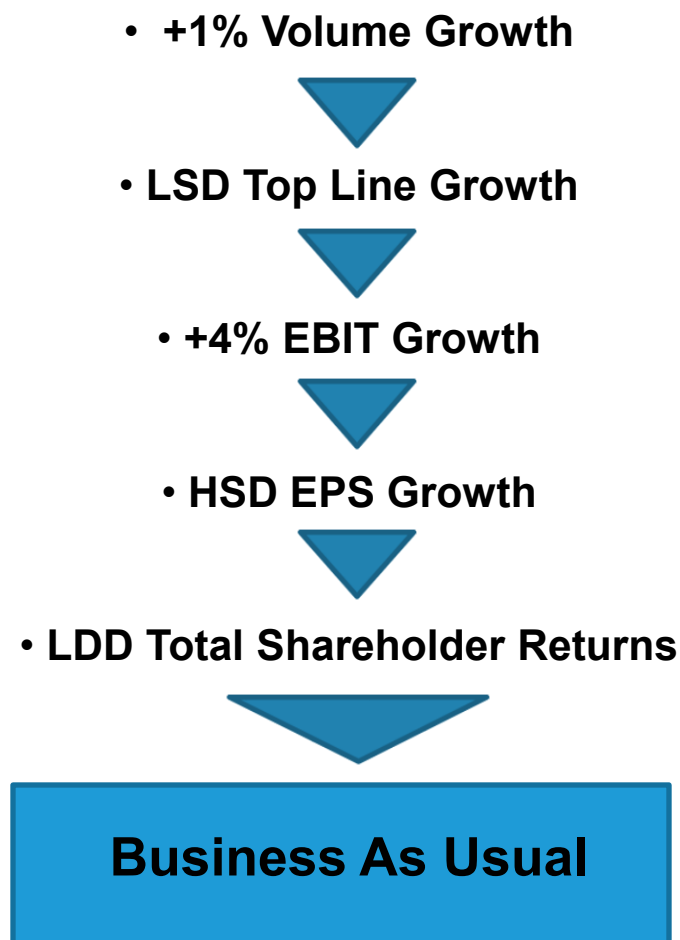
- What drives fundamental performance in US Food?

- **What has changed over the past 10 years?**

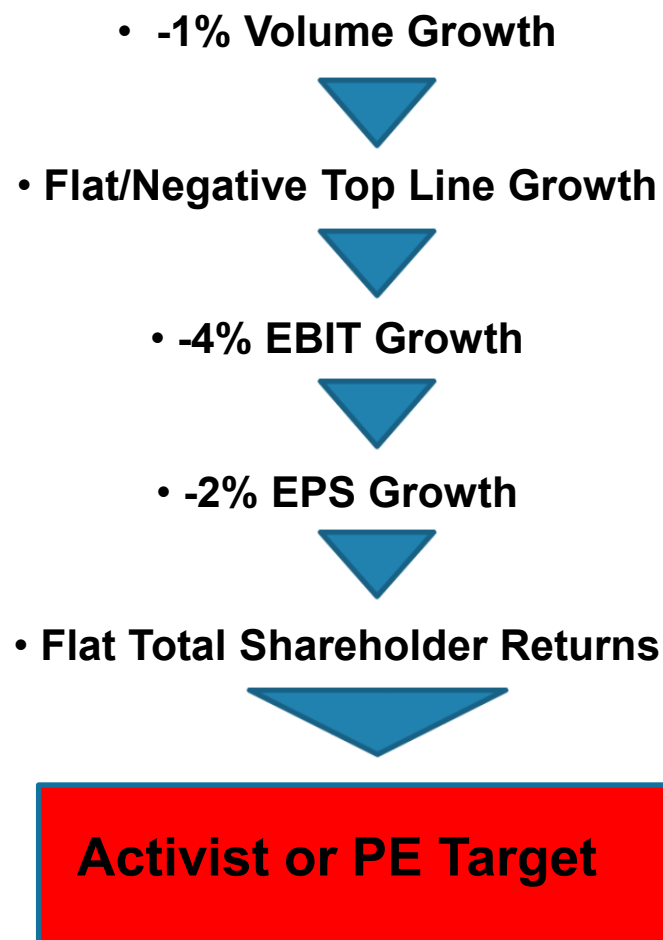
- How has the pandemic changed the landscape?
- What is the likely long view from here?
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The EPS growth algorithm was breaking down before the pandemic

Typical LT EPS Growth Algorithm



The New Paradigm?



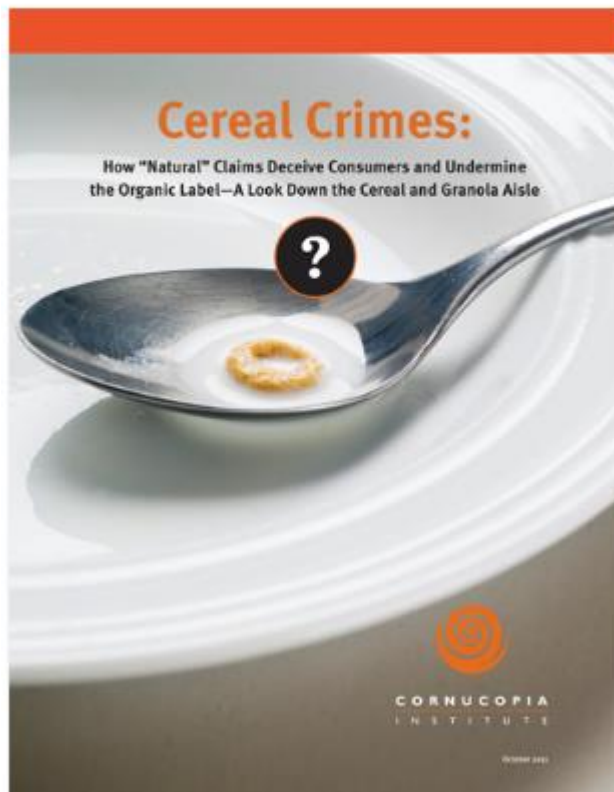
All else equal, a 1% volume increase translates into a 3.8% EBIT increase ... but the same is true in reverse

1% Volume Growth Leads to 3.8% EBIT Growth			
Volume Change	1%		
% COGS Fixed	33%		
	Base Year	Year 1: 1% Volume Growth	Change
Revenues (\$m)	100.0	101.0	1.0%
COGS (\$m)	65.0	65.4	0.7%
Gross Profit (\$m)	35.0	35.6	1.6%
SG&A (\$m)	20.0	20.0	0.0%
EBIT (\$m)	15.0	15.6	3.8%

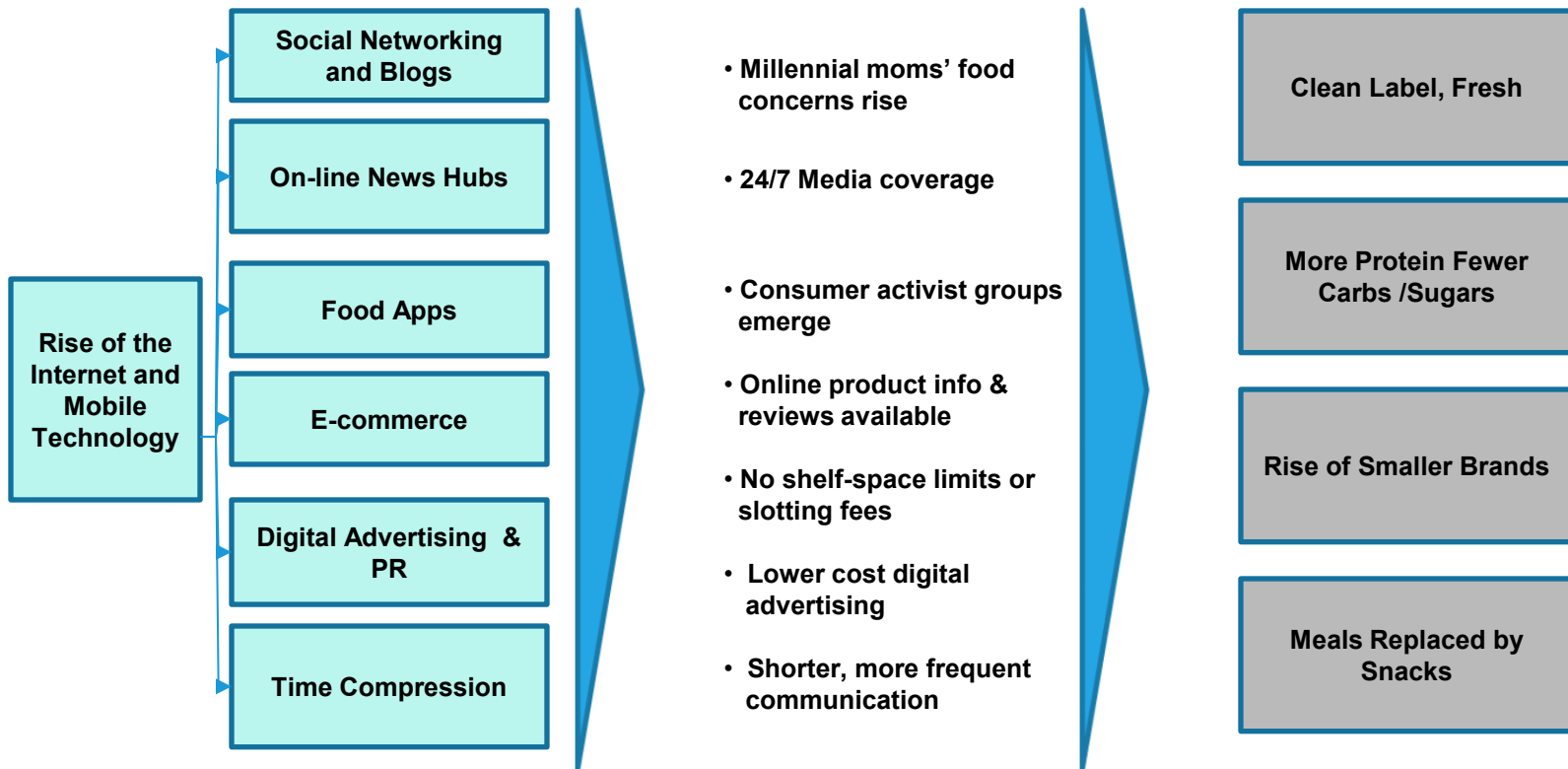
-1% Volume Decline Leads to a -3.8% Reduction in EBIT			
Volume Change	-1%		
% COGS Fixed	33%		
	Base Year	Year 1: -1% Volume Decline	Change
Revenues (\$m)	100.0	99.0	-1.0%
COGS (\$m)	65.0	64.6	-0.7%
Gross Profit (\$m)	35.0	34.4	-1.6%
SG&A (\$m)	20.0	20.0	0.0%
EBIT (\$m)	15.0	14.4	-3.8%

Source: Company filings, Bernstein analysis and estimates

The vote on GMO (Genetically Modified Organism) Labeling in CA in 2012 was a negative catalyst for U.S. Food

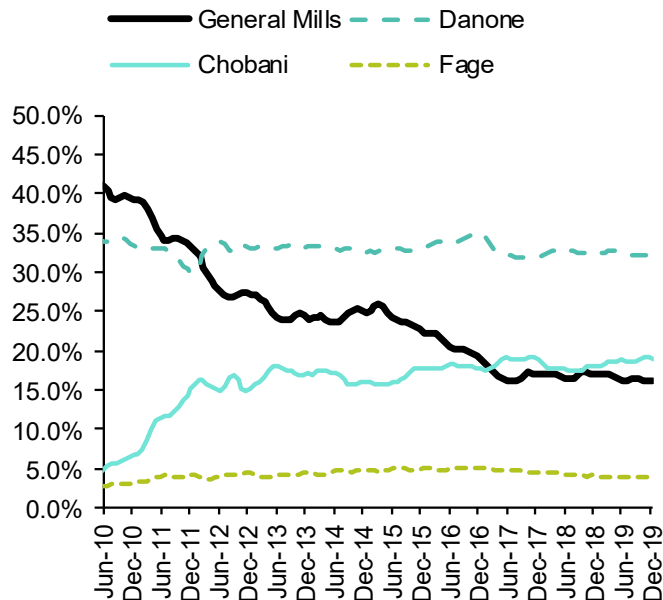


Social networking, the internet and rise of mobile technology has accelerated health & wellness & other trends

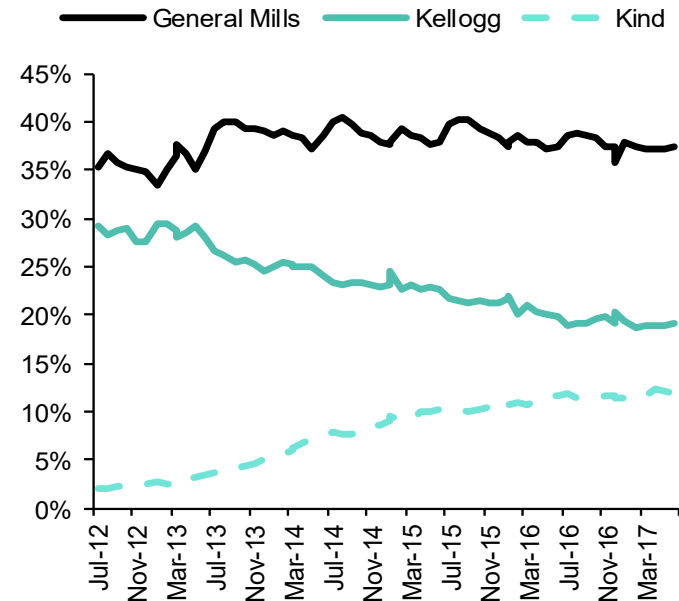


...enabling the rise of smaller, “challenger” brands

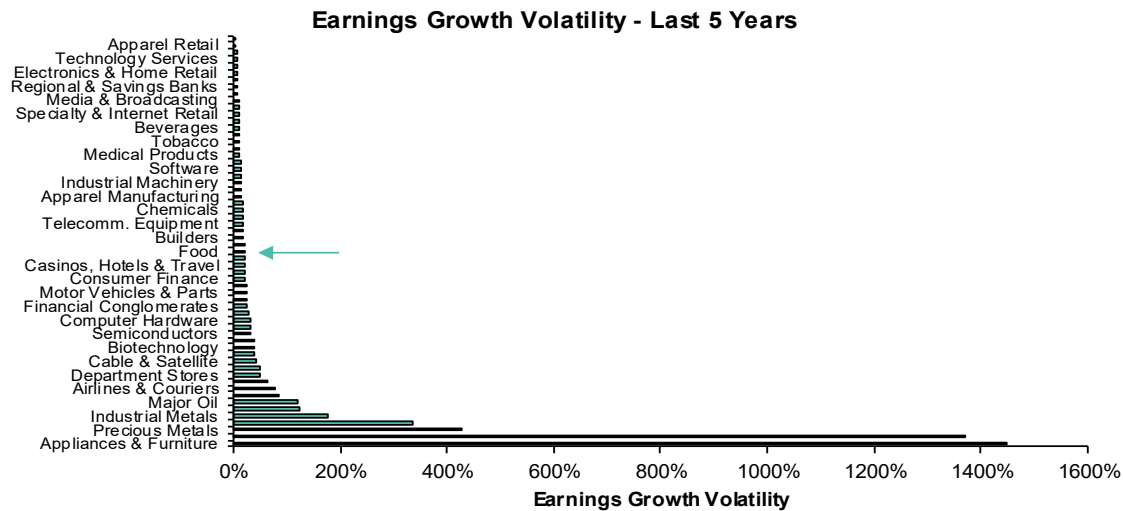
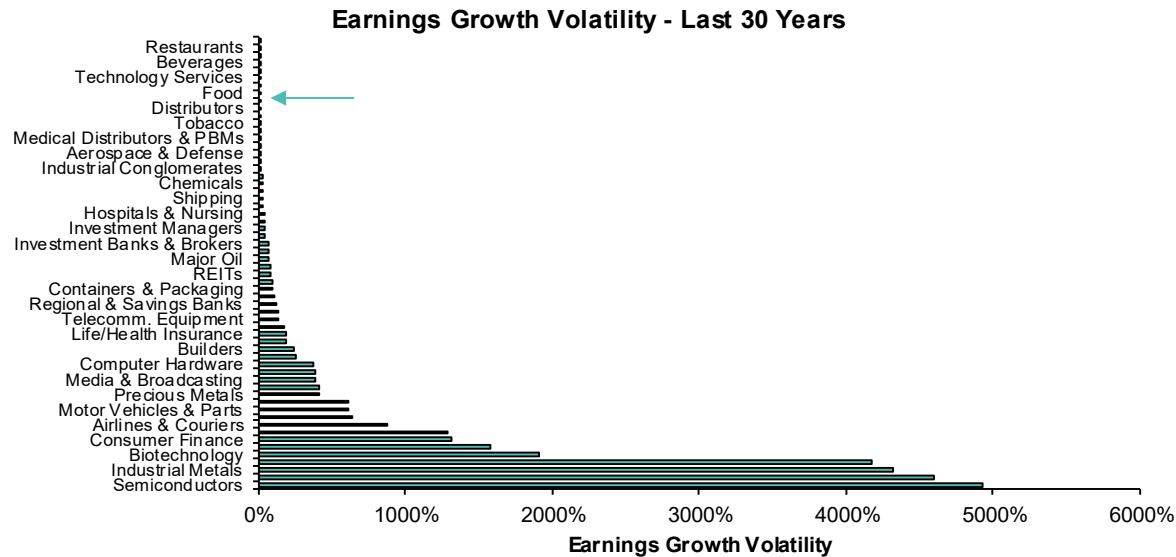
Yogurt Market Share in the U.S.



Snack Bar Dollar Market Share in U.S.



Earnings growth volatility has increased

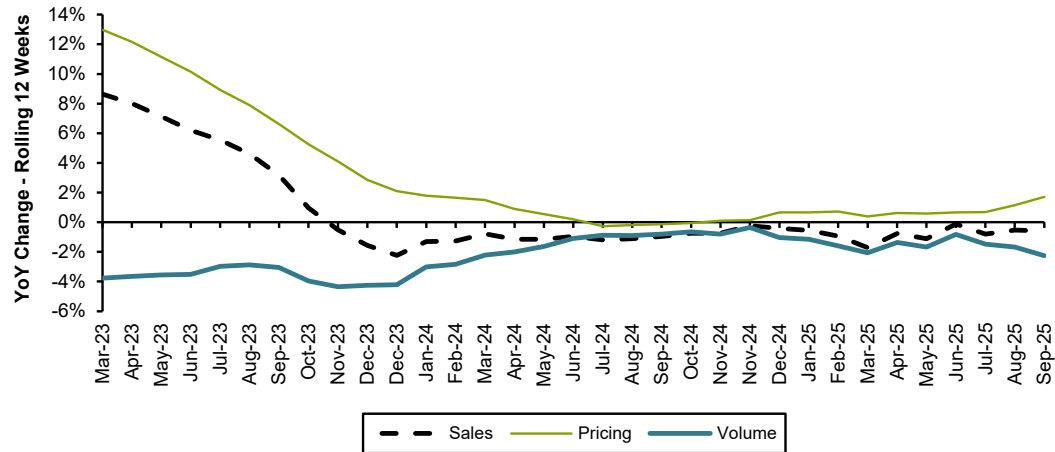


Agenda

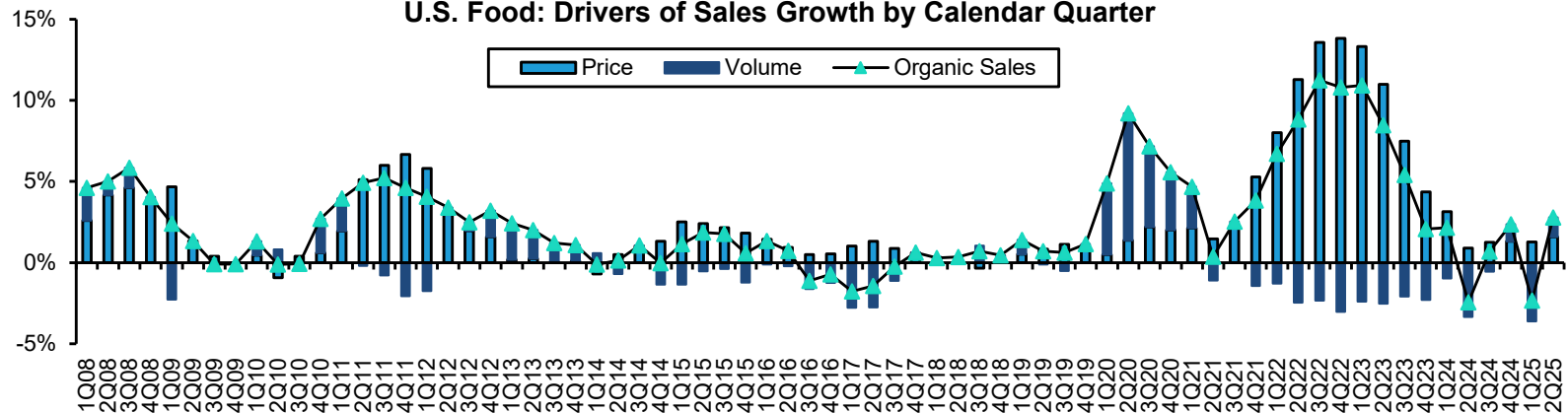
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Sales Growth Drivers for US Food

Drivers of Sales Growth for U.S. Packaged Food Companies



U.S. Food: Drivers of Sales Growth by Calendar Quarter



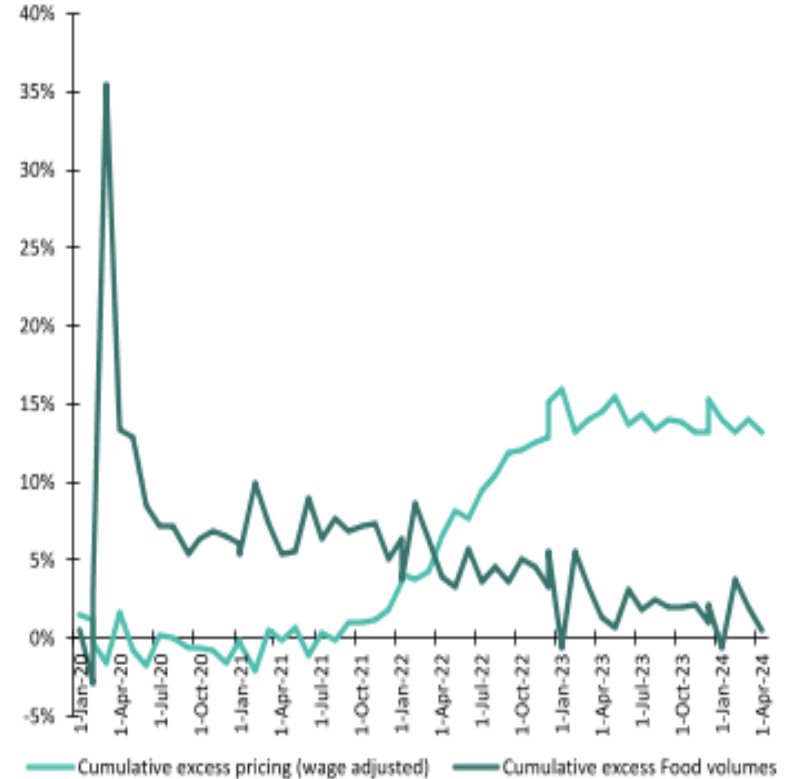
Source: Company filings, NielsenIQ, Bernstein analysis

Cumulative vs. Excess Pricing and Volumes

Cumulative Volumes and Pricing Since Pre-Covid

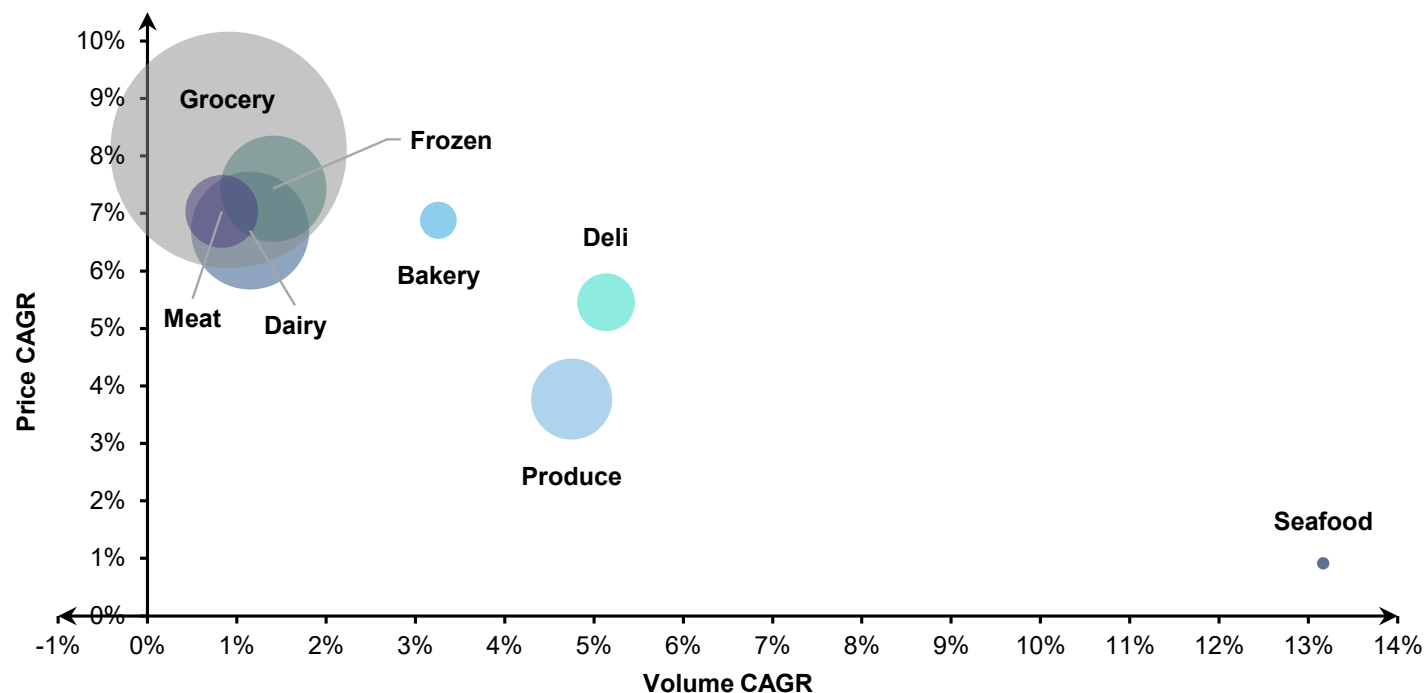


Excess Pricing and Volumes Since Pre-Covid



Source: Company filings, NielsenIQ, Bernstein analysis

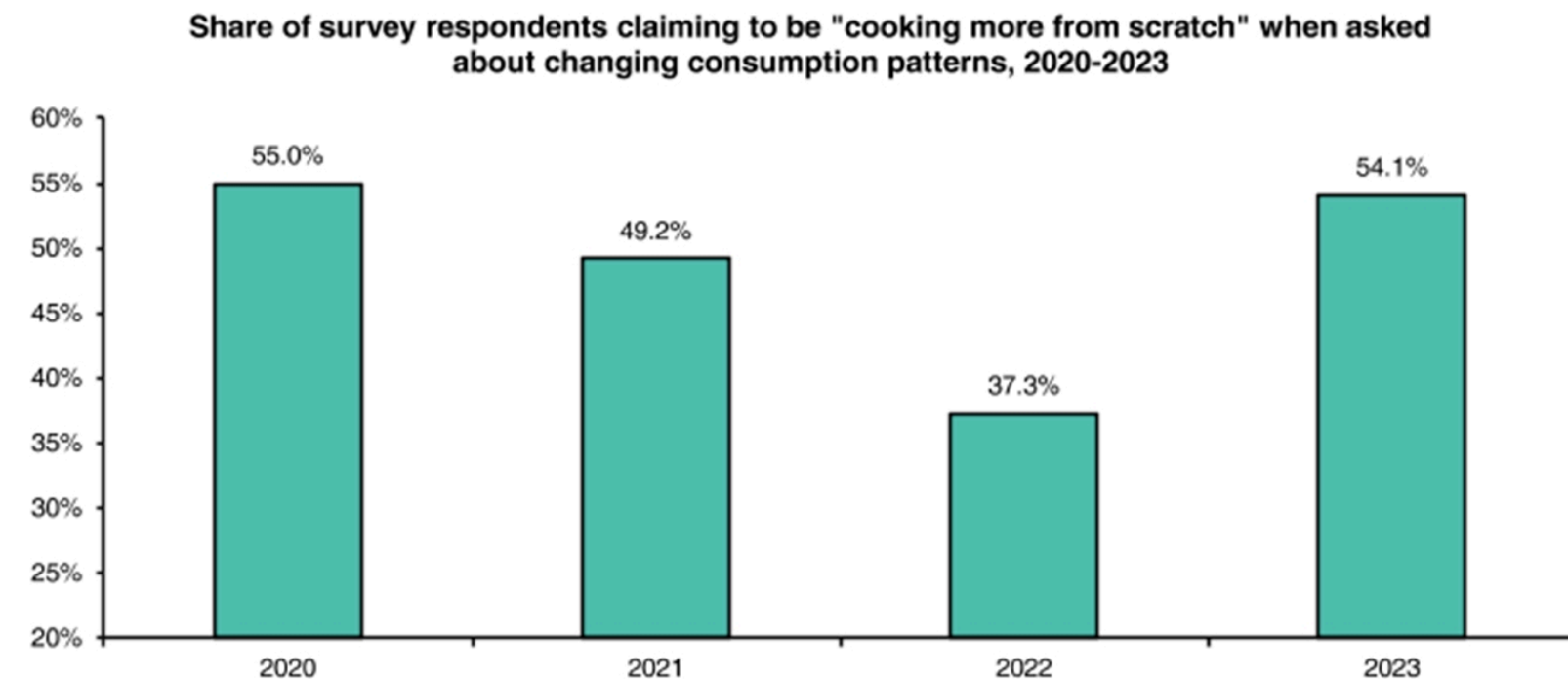
From 2019 to 2023, we saw positive volume and pricing across all departments, with the highest pricing in Grocery and highest volumes in Deli, Produce, and Seafood



Source: NielsenIQ, Bernstein analysis

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Increase in Cooking From Scratch



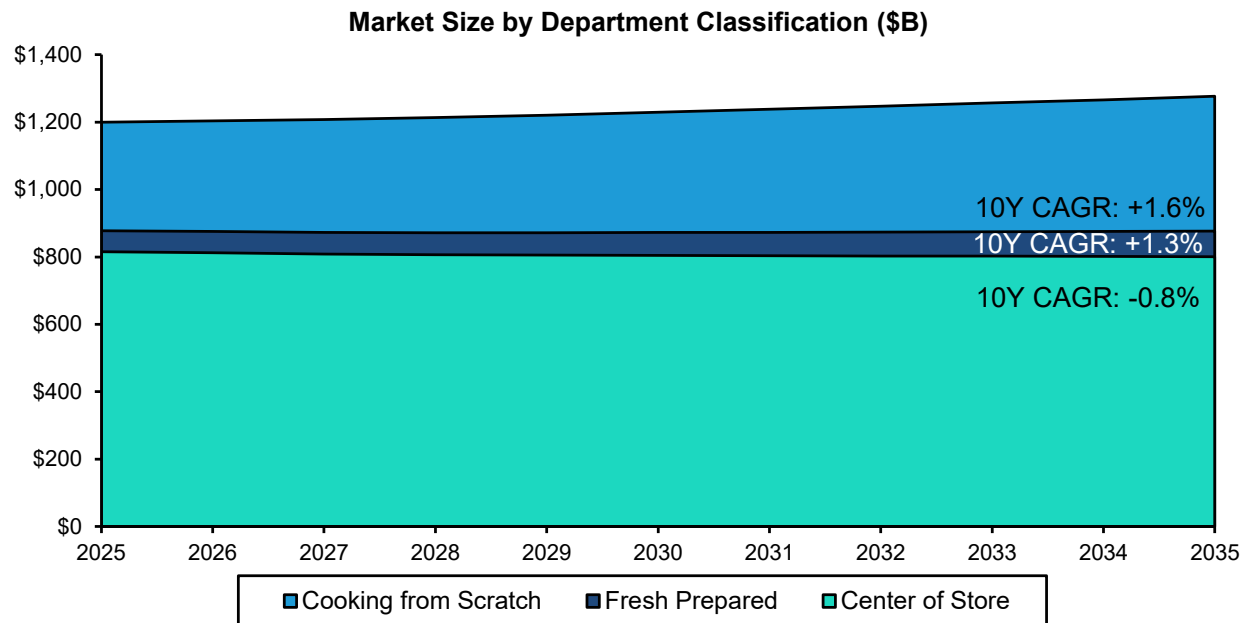
Source: SurveyMonkey, Bernstein analysis

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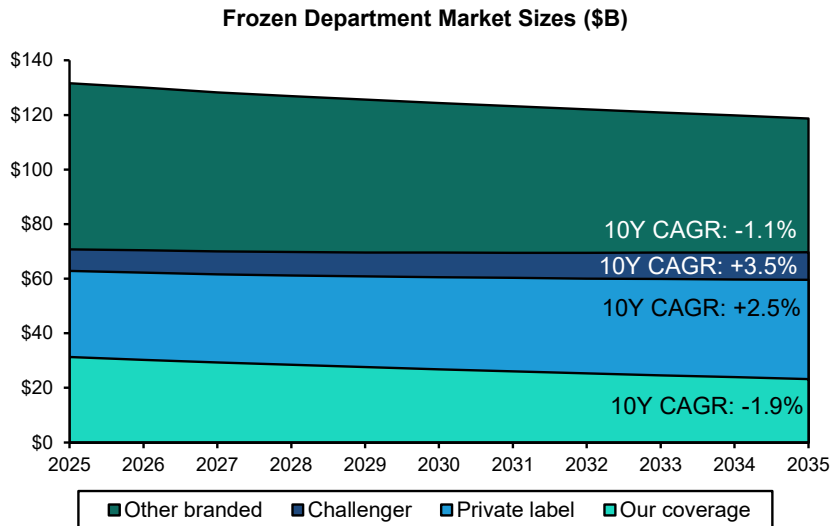
LT Industry Model: Department Classifications

- We estimate that Cooking From Scratch (Produce, Meat, Seafood, and Dairy) will grow at a +1.6% 10Y CAGR
- We estimate that Fresh Prepared (Bakery and Deli) will grow at a +1.3% 10Y CAGR
- We estimate that Center of Store (Frozen and Grocery) will decline at a -0.8% 10Y CAGR

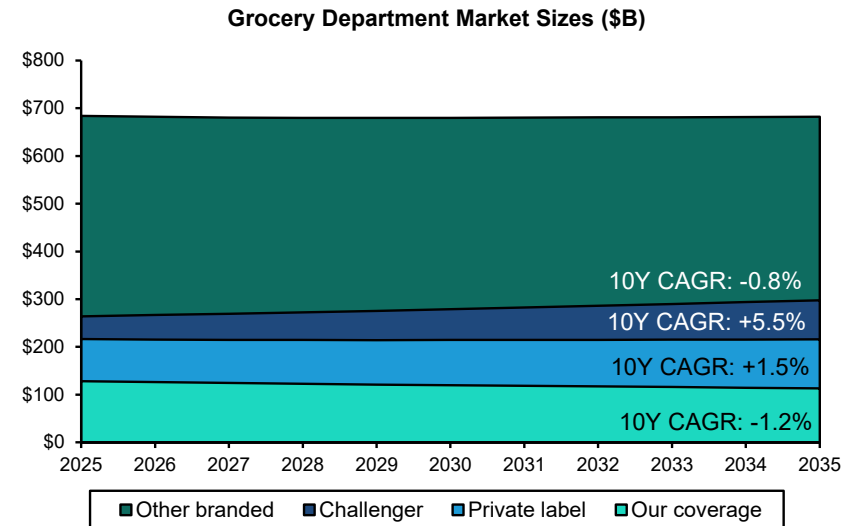


LT Industry Model: Our Coverage in Frozen and Grocery

In the Frozen department, we estimate that our coverage's sales will decline at a -1.9% 10Y CAGR

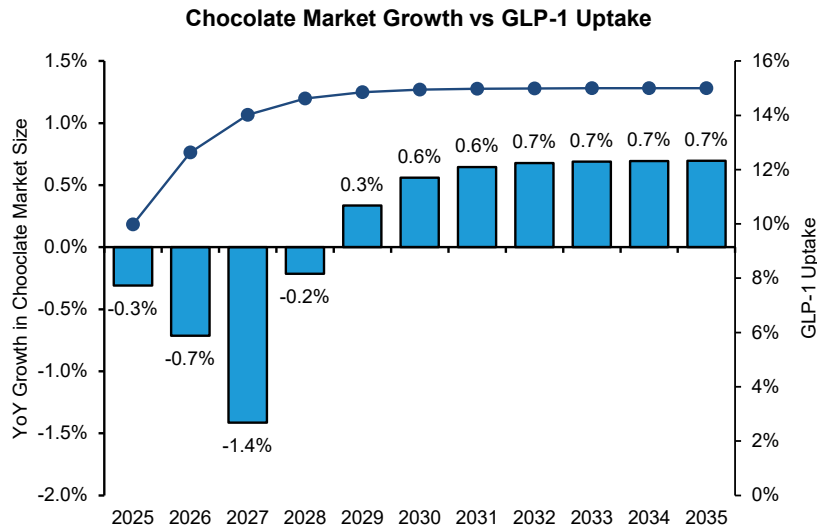


In the Grocery department, we estimate that our coverage's sales will decline at a -1.2% 10Y CAGR

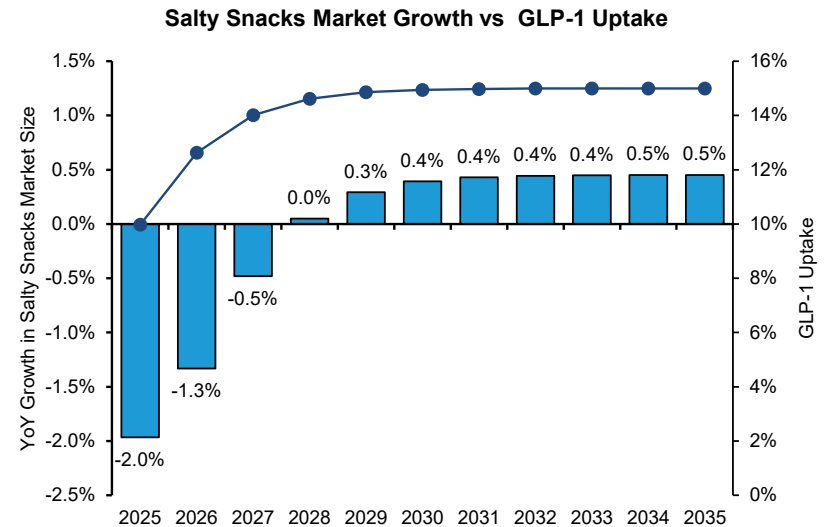


LT Industry Model: Chocolate and Salty Snacks vs. GLP-1 Uptake

As GLP-1 uptake increases then stabilizes, we estimate Chocolate sales will grow at a +0.2% 10Y CAGR



Similarly, as GLP-1 uptake progresses, we estimate that Salty Snacks sales will grow at a +0.1% 10Y CAGR



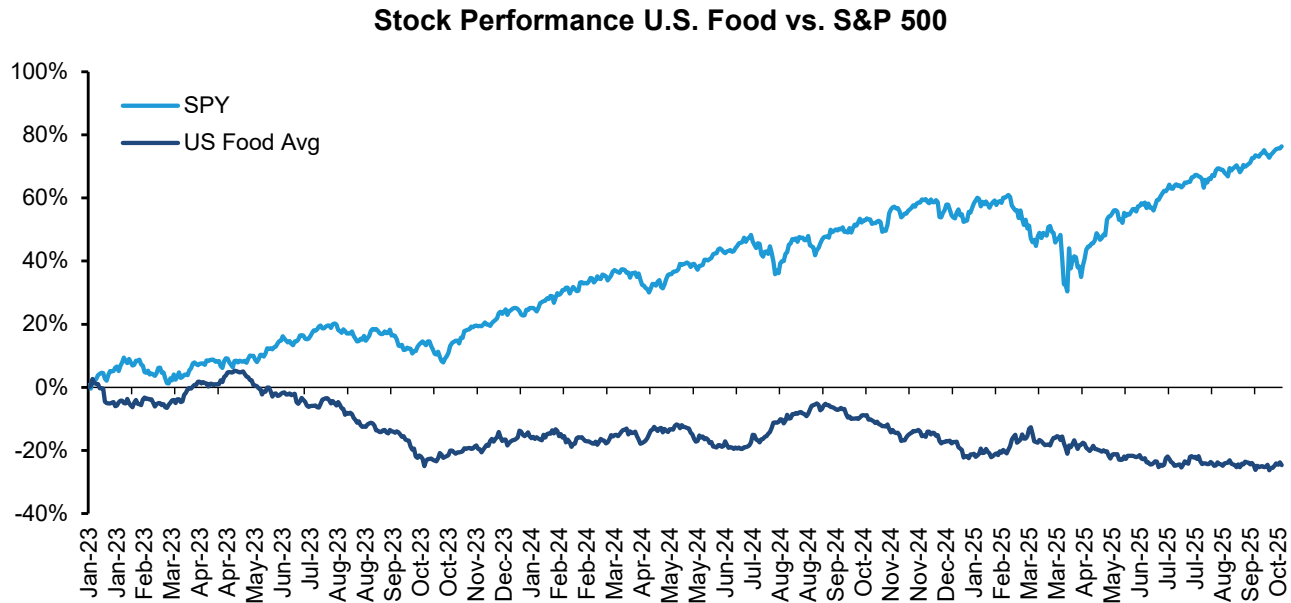
Agenda

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Themes

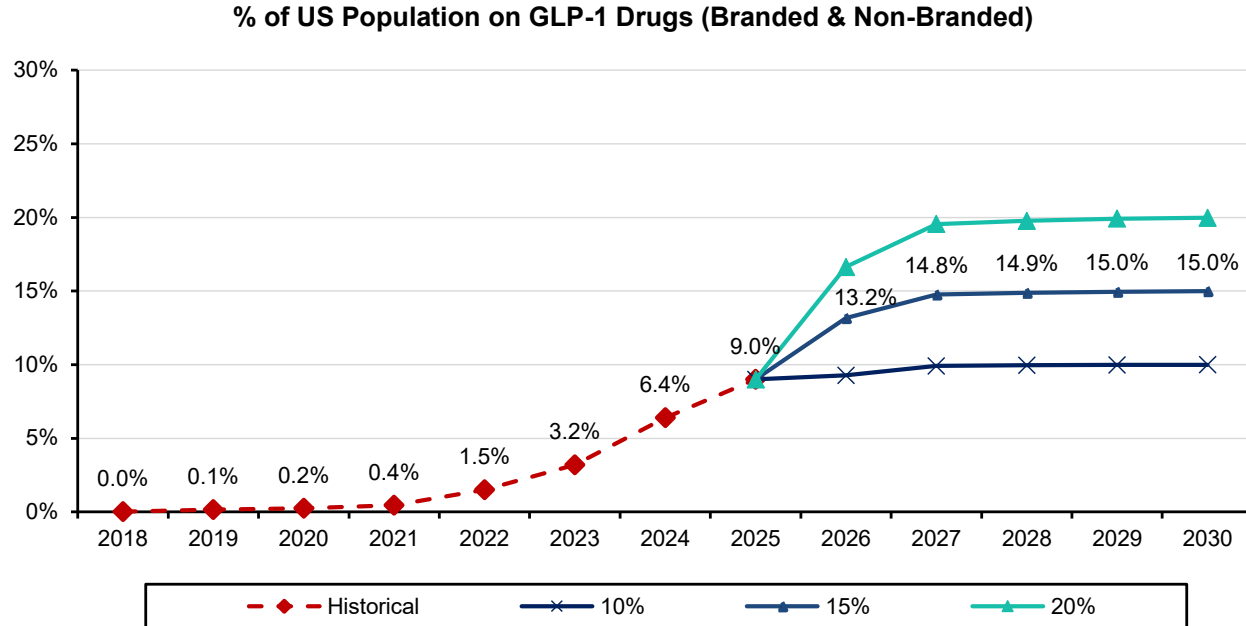
- After outperformance in 2022, the U.S. Food category was one of the worst performing sectors in 2023 and such underperformance continues in 2025
- Despite the unprecedented pricing rolling over, volumes have remained stubbornly negative
- Impacts of GLP-1 drugs on the sector might increase as adoption continues to surge
- RFK Jr.'s MAHA agenda is likely to have a broad-reaching impact on regulations – if he remains in place
- Recently published renewable fuel standards around biodiesel could drive increasing ag input costs
- M&A will remain a topic of investor interest

Since 2023, the market has risen ~76% while the average of our US Food coverage has fallen ~-25%



Don't bite the invisible hand: could GLP-1s be bigger than we imagine?

- Based on current GLP-1 adoption trends and U.S. obesity rates, we estimate a steady state GLP-1 adoption rate might settle around 15%



Don't bite the invisible hand: could GLP-1s be bigger than we imagine?

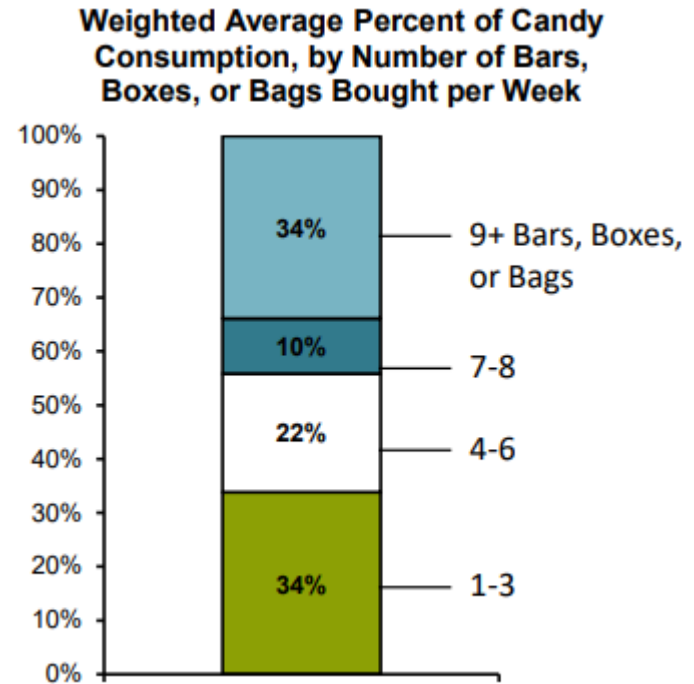
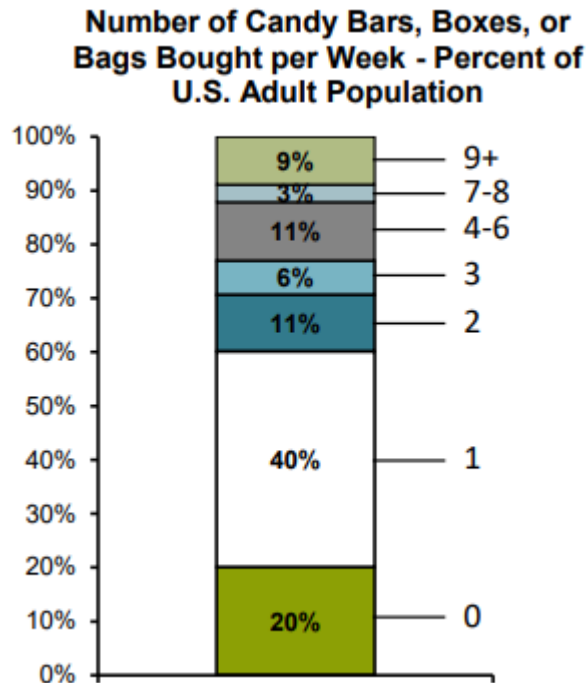
- The food categories with the greatest headwinds from GLP-1 drugs are full calorie chocolate/candy, other sweet snacks, salty snacks, and frozen meals

Weighted Monthly Frequency	Before GLP-1	After GLP-1	% Change
Full Calorie Chocolate/Candy	16.08	5.97	-62.9%
Zero Calorie Chocolate/Candy	7.04	7.05	0.1%
Other Sweet Snacks	15.30	5.55	-63.8%
Salty Snacks	16.31	7.20	-55.8%
Coffee	19.34	12.99	-32.8%
Frozen Meals	11.29	5.61	-50.3%
Protein Shakes	8.89	9.66	8.7%
White Meat	14.17	12.85	-9.4%
Red Meat	13.49	8.71	-35.4%
Full Calorie Soda	13.89	5.07	-63.5%
Zero Calorie Soda	7.16	7.55	5.5%

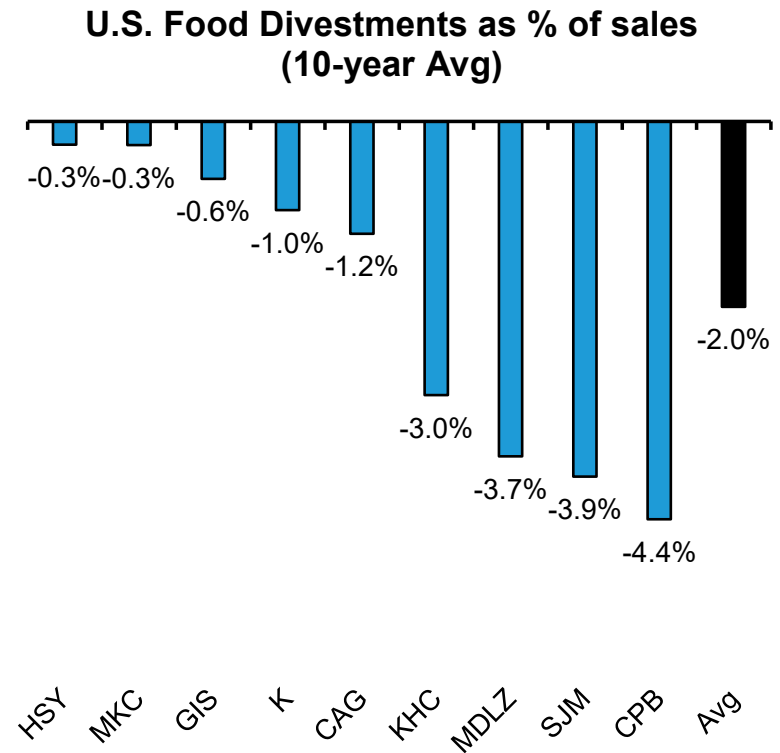
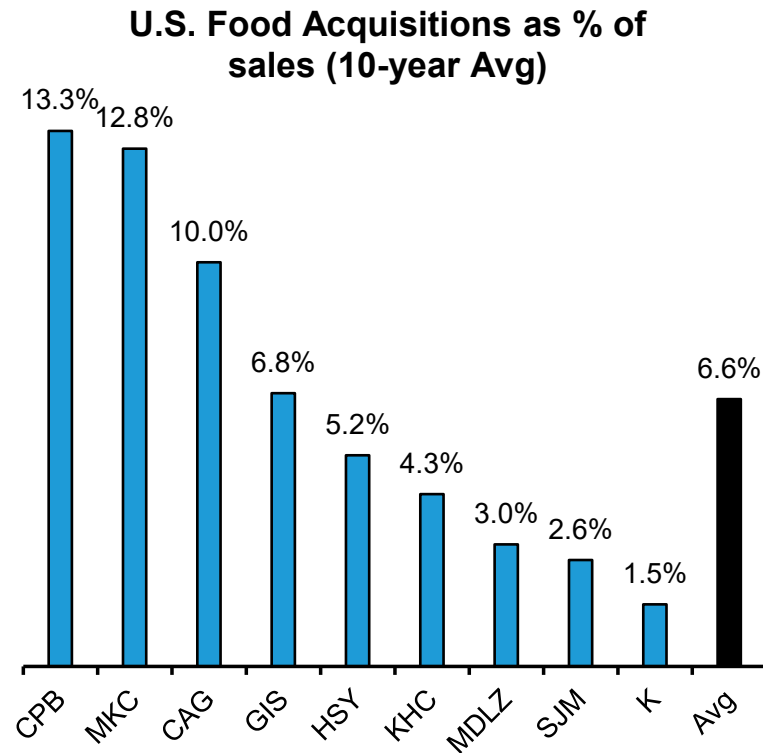
Don't bite the invisible hand: could GLP-1s be bigger than we imagine?

9% of U.S. adults self-reported eating at least 9 bars/boxes or bags of candy each week, which implies that...

... at least 34% of candy consumption amongst U.S. adults is from those who consume 9+ bars/boxes or bags per week.

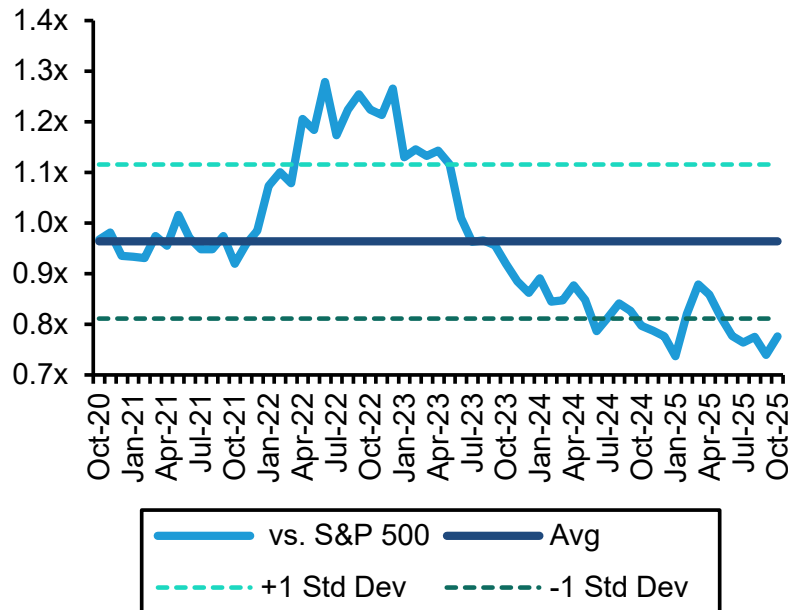


M&A activity in the sector has been prominent in the last decade

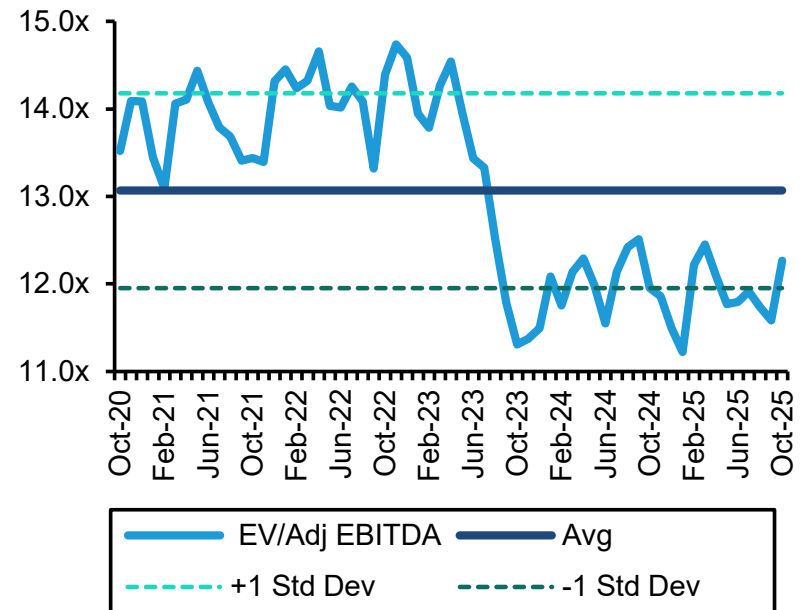


The US Food sector has seen some recent recovery in valuation multiples based on broader macro jitters & possible consolidation

U.S. Food Relative EV/NTM Adj. EBITDA Multiple to S&P500 (5 years)



U.S. Food Coverage Absolute EV/NTM Adj. EBITDA (5 years)



Ticker Table

BERNSTEIN TICKER TABLE

Ticker	Rating	Cur	6 Oct 2025	Price Target	TTM Rel. Perf.	Cur	Adjusted EPS			Adjusted P/E (x)		
			Closing Price				2024A	2025E	2026E	2024A	2025E	2026E
CAG	M	USD	18.72	21.00	(54.4)%	USD	2.30	1.79	1.92	8.1	10.5	9.8
CPB	O	USD	31.29	39.00	(51.7)%	USD	2.97	2.57	2.75	10.5	12.2	11.4
GIS	M	USD	50.18	54.00	(49.7)%	USD	4.20	3.63	3.74	12.0	13.8	13.4
HSY	M	USD	195.18	179.00	(16.1)%	USD	9.37	5.98	6.66	20.8	32.6	29.3
K	M	USD	82.66	83.00	(15.3)%	USD	3.85	3.58	3.72	21.5	23.1	22.2
KHC	M	USD	25.27	30.00	(44.8)%	USD	3.06	2.61	2.71	8.3	9.7	9.3
LW	M	USD	63.40	65.00	(25.7)%	USD	3.34	3.23	3.49	19.0	19.6	18.2
MDLZ	O	USD	61.78	88.00	(31.4)%	USD	3.36	3.03	3.37	18.4	20.4	18.3
MKC	O	USD	68.29	102.00	(33.1)%	USD	2.95	3.08	3.45	23.1	22.2	19.8
SJM	M	USD	107.04	110.00	(26.6)%	USD	10.12	8.97	9.68	10.6	11.9	11.1
SMPL	O	USD	23.71	42.00	(48.5)%	USD	1.83	1.96	1.98	12.9	12.1	12.0
TSN	M	USD	54.15	58.00	(25.3)%	USD	3.10	3.64	4.01	17.5	14.9	13.5
SPX			6,715.79									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

CAG, CPB, GIS, LW, SJM base year is 2025;

Source: Bloomberg, Bernstein estimates and analysis.

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Neutral (Autonomous Brand)					
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