MICHELE BUCK
CHIEF EXECUTIVE OFFICER
DELIVERING INNOVATIVE SNACKING LEADERSHIP

DRIVE CONFECTION & EXPAND BREADTH IN SNACKING

REALLOCATE RESOURCES TO EXPAND MARGINS & FUEL GROWTH

INVEST

STRENGTHEN CAPABILITIES FOR COMMERCIAL ADVANTAGE

GROW

EXPAND MARGINS

INCREASE SHAREHOLDER VALUE
SOLID PROGRESS AGAINST KEY PRIORITIES

- CORE CMG GROWTH
- PORTFOLIO EVOLUTION
- INVEST
- EXPAND MARGINS
- INCREASE SHAREHOLDER VALUE
- RESET INTERNATIONAL BUSINESS MODEL
- REDUCE FOUNDATIONAL COST STRUCTURE

CORE CAPACITY | ERP | DIGITAL TRANSFORMATION
DIGITAL TRANSFORMATION

- RIGHT DATA
- RIGHT TECHNOLOGY
- RIGHT CULTURE
DIGITAL TRANSFORMATION POWERING EVERY PART OF THE ORGANIZATION

CREATE COMMERCIAL ADVANTAGE
KEYS TO SUCCESS
LEVERAGING CAPABILITIES FROM PHYSICAL TO DIGITAL

BE FOUND
Media, planograms, search

KNOW THEM
Understanding journeys and missions

BE LOVED
1:1 Relationships with shoppers and consumers

BE BRILLIANT
Pack design, digital content

BE ON THE LIST
Customer partnerships, sales reps, merchandising, portfolio for different needs and models

RIGHT DATA

RIGHT TECHNOLOGY

RIGHT CULTURE
CAPABILITIES TO CAPTURE ATTRACTIVE FINANCIAL OPPORTUNITY

Leveraging Competitively advantaged, Translatable Capabilities
- Deep consumer insights
- Great brands
- Strong customer relationships and category management
- Media expertise
- Robust margins

Building Capabilities Unique to Digital Commerce
- Unique Portfolio
- Winning at search with great content
- Driving holistic captaincy
- Leveraging enhanced data acquisition and analytics

Creating Financially Attractive Digital Commerce Model
- Comparable gross margins
- Bigger baskets
- Higher average selling prices
- Drop-ship capability

OPPORTUNITY

Source: Leading retailers’ custom data
TAKEAWAYS FROM TODAY

Retail evolution changing how products are purchased, but consumers’ needs and desire for our brands remain

We are translating our existing competitive advantages and building capabilities unique to digital commerce

We have created a financially attractive digital commerce model and are seizing the opportunity with the right talent, capabilities and investment to succeed
DOUG STRATON

CHIEF DIGITAL COMMERCE OFFICER
UNDERSTANDING THE RETAIL ECOSYSTEM
WE EXPECT MID SINGLE DIGIT U.S. FMCG DIGITAL COMMERCE PENETRATION IN THE NEXT 5 YEARS

European Indicators

- Online Penetration 5.6% (Europe)
- Snacking Penetration Tracks with Overall
- Less Fragmented Competitive Environment
- Population Densities and Geography

Sources: Kantar WorldPanel, Fung Global Retail, Euromonitor, Planet Retail

FMCG = Fast Moving Consumer Goods
U.S. FMCG IS ~1-2% DRIVEN BY RECENT RETAILER INVESTMENTS

FMCG = Fast Moving Consumer Goods
Source: Kantar WorldPanel, Fung Global Retail/BEA
THE WHAT HASN’T CHANGED - THE HOW AND WHERE HAVE CHANGED

CONSTANTS

Consumer Wants
Consumer Shops
Consumer Buys

CHANGES

Shopping Behaviors
Trips
Paypoints
RETAIL EVOLUTION UNLOCKS NEW CONSUMER ACCESS

RETAIL DYNAMICS

- Fewer physical trips
- Impulse purchase declines

OPPORTUNITIES

- Store in a Pocket
- Data & Algorithms
- More Engagement Points
- More Digital Trips
- Price-Basket Dynamics
- Metropolitan Areas

UNDERSTANDING THE RETAIL ECOSYSTEM
WE MUST PLAY ALONG THE ENTIRE CONSUMER SHOPPING JOURNEY
HERSHEY STRATEGY AND KEYS TO SUCCESS
HERSHEYS STRATEGY AND KEYS TO SUCCESS

HERSHEY HAS LEVERAGEABLE, TRANSLATABLE CAPABILITIES TO WIN IN DIGITAL...

Beloved Brands
#1 most loved brand

Deep Customer Relationships
Ranked #5 by retailers in consumer goods

Recognized Category Expertise
Ranked #1 by retailers for category management

Strength in Paid & Earned Media
3B earned impressions at product launch

Retailer Profitability
Amongst the highest

Source: Morning Consult, Advantage, Cision, Willard Bishop
...AND WE ARE WINNING

Winning Share

Trips Increasing

Driving Higher Average Selling Price

Building Bigger Baskets

Maintaining Margin Profile

+250bps year to date

Online Visits > Offline Trips

1.2x to 3.5x brick and mortar

1.0x to 3.5x brick and mortar

Within 100-150 bps of THC Avg

Source: Retailer specific POS data, 2017-2018, Hershey financials
WE KNOW THE KEYS TO SUCCESS IN DIGITAL COMMERCE

**Know Them**
- Journey and Missions

**BE Found**
- Win At Search: The Shelf

**BE Loved**
- CRM: The Relationship

**BE Brilliant**
- Digital Content: The Pack

**BE On The List**
- Algorithm and Missions and Models: The Cart

CRM = Consumer Relationship Marketing
WHAT WINNING IN DIGITAL LOOKS LIKE
UNDERSTANDING MISSION AND MODELS UNLOCKS GROWTH AND PROFIT

MISSION

MODEL

PORTFOLIO

ECONOMICS
**SHoppers Now Have Options Beyond Filling Their Own Baskets**

<table>
<thead>
<tr>
<th>Mission</th>
<th>Model</th>
<th>Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deal Hunting/Family Snacking Refill</td>
<td>Ship-to-home</td>
<td>Large bags, multi-packs of single serve bars</td>
</tr>
<tr>
<td>Family Snacking Refill</td>
<td>Delivery</td>
<td>Traditional items found in grocery/mass stores</td>
</tr>
<tr>
<td>Family Snacking Refill</td>
<td>Pick-up</td>
<td>Items found in C-store; instant consumable focused</td>
</tr>
<tr>
<td>Sudden Craving</td>
<td>On-demand</td>
<td>Items found in store; instant consumable focused</td>
</tr>
<tr>
<td>Special Purpose</td>
<td>DTC</td>
<td>Unique Propositions/Differentiated portfolio</td>
</tr>
</tbody>
</table>

**Hershey**

*What Winning in Digital Looks Like*
# New Options Provide Opportunity to Drive Basket and Consumption

## Index to Brick and Mortar Purchase

<table>
<thead>
<tr>
<th>MODEL</th>
<th>Ship-to-home</th>
<th>Delivery</th>
<th>Pick-up</th>
<th>On-demand</th>
<th>DTC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amazon</td>
<td>Peapod</td>
<td>Walmart</td>
<td>goPuff</td>
<td>HERSHEY</td>
</tr>
</tbody>
</table>

## Economics

<table>
<thead>
<tr>
<th></th>
<th>AVG. PRICE</th>
<th>AVG. BASKET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ship-to-home</td>
<td>3.5x</td>
<td>3.5x</td>
</tr>
<tr>
<td>Delivery</td>
<td></td>
<td>1.2x</td>
</tr>
<tr>
<td>Pick-up</td>
<td>1.2x</td>
<td>&gt;1x</td>
</tr>
<tr>
<td>On-demand</td>
<td>1x</td>
<td>5.5x</td>
</tr>
<tr>
<td>DTC</td>
<td>40x</td>
<td></td>
</tr>
</tbody>
</table>

Source: May 2018 Hershey CMG Data; Multiple Retailers POS Data
RETAILERS FIELD MULTIPLE MODELS TO KEEP SHOPPERS IN A “WALLED GARDEN”
SEARCH IS THE NEW SHELF

EYE LEVEL SHELF = FIRST PAGE SEARCH

Holistic Captaincy

WHAT WINNING IN DIGITAL LOOKS LIKE
FIRST PAGE OF SEARCH IS EYE LEVEL

“Chocolate”
- Paid Display
- Paid Search
- Organic Search Results
MOVING NEW ITEMS TO EYE-LEVEL

Pre-Event: #4893
Event: #20
Post-Event: #1

Source: Direct Retailer Analytics
DIGITAL VISITS PRECEDE AND EXCEED PHYSICAL TRIPS

DIGITAL SHELF

PHYSICAL SHELF

WHAT WINNING IN DIGITAL LOOKS LIKE
ONLINE CONTENT IS THE EQUIVALENT OF PACKAGING

From Foot-Stopping to Thumb-Stopping
PACKAGING NEEDS TO WIN FROM 5 INCHES TO 20 FEET
PICKING UP PRODUCT ON A DIGITAL SHELF
WHAT WINNING IN DIGITAL LOOKS LIKE

CONVERT
PURCHASE HISTORY IS A GIFT THAT KEEPS ON GIVING

GET ON THE LIST, GET IN THE PANTRY AND EXPAND CONSUMPTION
IMPULSE CONSUMPTION IS AN OPPORTUNITY
IMPULSE PURCHASE IS STILL IMPORTANT BUT IT TAKES NEW FORMS

**CHECKOUT LANE**

**POST ORDER ADD-ON**

**MAKE THE MINIMUM**

**AUTO-ADD RECIPE**

You're 2 ingredients away from Chocolate Cookie Cake! Here's all you need for the perfect dessert.

**HERSHEY**

WHAT WINNING IN DIGITAL LOOKS LIKE
WHAT WINNING IN DIGITAL LOOKS LIKE

MAGNIFYING THE SEASONAL OPPORTUNITY

Mobile

Desktop

Store
WHAT WINNING IN DIGITAL LOOKS LIKE

BEST-IN-CLASS DROP-SHIP CAPABILITY

CONVERT

Fully Scalable
Chilled unlocks Summer
Enables Scalable DTC

HERSHEY®

WHAT WINNING IN DIGITAL LOOKS LIKE

Scalable DTC

Chilled unlocks Summer

Enables Scalable DTC
WHAT WINNING IN DIGITAL LOOKS LIKE

COMMUNITY
BUILDING RELATIONSHIPS WITH SHOPPERS THROUGH DATA ACQUISITION

WHAT WINNING IN DIGITAL LOOKS LIKE

COMMUNITY

SMARTER CAMPAIGNS
SALES LIFT
HIGHER ROI

CONSUMER RELATIONSHIP MARKETING (CRM)

TARGETING
Individuals, Look-a-Likes

PERSONALIZATION
Messaging, Experience, Products & Services

DEEPER INSIGHTS
Scaled, Owned Audiences

IDENTIFY, SEGMENT, ANALYZE

IDENTIFY, SEGMENT, ANALYZE

HERSHEY

WHAT WINNING IN DIGITAL LOOKS LIKE
USING THAT DATA TO FIND THE RIGHT CONSUMER

You or Someone Like You

Previous Reese interaction

AND ONLY 1.47 MILES AWAY

WHAT ARE YOU WAITING FOR?

LEARN MORE

REESE’S PEANUT BUTTER CUPS, 1.5 OUNCES

REESE’S PEANUT BUTTER CUPS KING SIZE, 2.8 OUNCES

REESE’S PEANUT BUTTER CUPS SNACK SIZE BAG, 10.5 OUNCES

REESE’S PIECES CANDY BOX, 4 OUNCES

BUY NOW
WHERE WE ARE AND WHERE WE ARE HEADED
WHERE ARE WE ON OUR JOURNEY

FUNDAMENTALS IN PLACE

- Digital & Digital Commerce Strategy
- Enterprise Approach
- Technology Stack
- Fit to Compete Structure & Talent

MAGNIFYING OUR STRENGTHS

- Snacking Focus
- Customer Relationships & Captaincy
- Media Strength
- Data & Data Science
TEAM IS BOTH INTEGRATED AND INDEPENDENT

RIGHT STRUCTURE

Cross-functional Business Unit
Enterprise Digital Operations
Digital Transformation & Best Practice

RIGHT TEAM

WHERE WE ARE AND WHERE WE ARE HEADED
WHERE WE ARE AND WHERE WE ARE HEADED

HERSHEY IS PERFORMING IN DIGITAL

Food US: Average Gartner L2 Digital IQ Index Score by Parent Company
July 2018, n=87 Brands Across 10 Enterprises With Five or More Brands

Source: Gartner L2 Digital IQ Index: Food US, July 2018
WHAT’S NEXT

FUNDAMENTALS

STRUCTURE AND TEAM

2019-2023 Opportunity

BEND THE GROWTH CURVE
WHERE WE ARE AND WHERE WE ARE HEADED

USING TECHNOLOGY TO INTERACT WITH CONSUMERS ALONG THEIR JOURNEY

- Price-Pack Architecture
- Optimized Retailer, Brand, DTC/B2B Websites
- Profitable Digital Commerce
- Data and CRM
- Efficient & Dynamic Media
- Any Device
- Content Management
- Social Media Strength
- Scalable Logistics

RIGHT DATA

RIGHT TECHNOLOGY

RIGHT CULTURE
BENDING THE CURVE TO ACCELERATE DOLLAR OPPORTUNITY

HERSHEY ACCELERATORS

Holistic Captaincy & Media Optimization
Dynamic & Modular Content Ecosystem
Robust Data Acquisition, Application, Analytics
Full Digital Measurement & Performance Tracking
Fit to Win Organization
HERSHEY HAS LEVERAGEABLE, TRANSLATABLE CAPABILITIES TO WIN IN DIGITAL...

Beloved Brands
#1 most loved brand

Deep Customer Relationships
Ranked #5 by retailers in consumer goods

Recognized Category Expertise
Ranked #1 by retailers for category management

Strength in Paid & Earned Media
3B earned impressions at product launch

Retailer Profitability
Amongst the highest

Source: Morning Consult, Advantage, Cision, Willard Bishop
...AND WE ARE WINNING

- Winning Share
- Trips Increasing
- Driving Higher Average Selling Price
- Building Bigger Baskets
- Maintaining Margin Profile