

HERSHEY CO
Form 10-Q
April 26, 2018

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 April 1, 2018

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

(State or other jurisdiction of incorporation or organization)

100 Crystal A Drive, Hershey, PA
17033

(Address of principal executive offices)

(Zip Code)

717-534-4200

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

23-0691590

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting 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 Smaller reporting company

Non-accelerated filer (Do not check if a 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—148,647,172 shares, as of April 20, 2018.

Class B Common Stock, one dollar par value—60,619,777 shares, as of April 20, 2018.

THE HERSHEY COMPANY
Quarterly Report on Form 10-Q
For the Period Ended April 1, 2018

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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	
	April 1, 2018	April 2, 2017
Net sales	\$ 1,971,959	\$ 1,879,678
Cost of sales	997,899	970,326
Gross profit	974,060	909,352
Selling, marketing and administrative expense	485,324	459,386
Long-lived asset impairment charges	—	208,712
Business realignment costs	8,224	44,017
Operating profit	480,512	197,237
Interest expense, net	29,339	23,741
Other (income) expense, net	1,942	5,135
Income before income taxes	449,231	168,361
Provision for income taxes	98,512	70,113
Net income including noncontrolling interest	350,719	98,248
Less: Net income (loss) attributable to noncontrolling interest	516	(26,796)
Net income attributable to The Hershey Company	\$ 350,203	\$ 125,044
Net income per share—basic:		
Common stock	\$ 1.71	\$ 0.60
Class B common stock	\$ 1.55	\$ 0.55
Net income per share—diluted:		
Common stock	\$ 1.65	\$ 0.58
Class B common stock	\$ 1.55	\$ 0.55
Dividends paid per share:		
Common stock	\$ 0.656	\$ 0.618
Class B common stock	\$ 0.596	\$ 0.562

See Notes to Unaudited Consolidated Financial Statements.

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

	For the three months ended					
	April 1, 2018			April 2, 2017		
	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount
Net income including noncontrolling interest			\$350,719			\$98,248
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments	\$(1,267)	\$ —	(1,267)	\$13,951	\$ —	13,951
Pension and post-retirement benefit plans:						
Net actuarial gain (loss) and prior service cost	—	—	—	(196)	74	(122)
Reclassification of tax effects relating to U.S. tax reform	—	(36,535)	(36,535)	—	—	—
Reclassification to earnings	5,097	(1,025)	4,072	7,153	(2,711)	4,442
Cash flow hedges:						
Gains (losses) on cash flow hedging derivatives						