

ModernGraham Valuation

Company Name:

Hershey Co

Company Ticker HSY

Date of Analysis

7/13/2016



Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

Defensive Investor; must pass 6 out of the following 7 tests.

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$22,820,874,558	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	0.76	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
5. Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	146.11%	Pass
6. Moderate PEmg Ratio	PEmg < 20	31.36	Fail
7. Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	28.34	Fail

Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	0.76	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	-2.79	Fail
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Pass
5. Earnings Growth	EPSmg greater than 5 years ago		Pass

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$3.45
MG Growth Estimate	5.87%
MG Value	\$69.91
MG Value based on 3% Growth	\$50.09
MG Value based on 0% Growth	\$29.37
Market Implied Growth Rate	11.43%

MG Opinion

Current Price	\$108.33
% of Intrinsic Value	154.96%
Opinion	Overvalued
MG Grade	D

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$12.42
Graham Number	\$19.09
PEmg	31.36
Current Ratio	0.76
PB Ratio	28.34
Current Dividend	\$2.28
Dividend Yield	2.11%
Number of Consecutive Years of Dividend Growth	7

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$4.22	Next Fiscal Year Estimate	\$3.45
Dec2015	\$2.33	Dec2015	\$3.07
Dec2014	\$3.77	Dec2014	\$3.31
Dec2013	\$3.61	Dec2013	\$2.95
Dec2012	\$2.90	Dec2012	\$2.48
Dec2011	\$2.74	Dec2011	\$2.13
Dec2010	\$2.21	Dec2010	\$1.80
Dec2009	\$1.90	Dec2009	\$1.63
Dec2008	\$1.36	Dec2008	\$1.59
Dec2007	\$0.93	Dec2007	\$1.75
Dec2006	\$2.34	Dec2006	\$2.10
Dec2005	\$1.99	Dec2005	\$1.87
Dec2004	\$2.30	Dec2004	\$1.70
Dec2003	\$1.73	Dec2003	\$1.39
Dec2002	\$1.47	Dec2002	\$1.23
Dec2001	\$0.75	Dec2001	\$1.13
Dec2000	\$1.21	Dec2000	\$1.28
Dec1999	\$1.63	Balance Sheet Information 3/1/2016	
Dec1998	\$1.17	Total Current Assets	\$1,772,918,000
Dec1997	\$1.12	Total Current Liabilities	\$2,336,972,000
Dec1996	\$0.89	Long-Term Debt	\$1,571,388,000
		Total Assets	\$5,305,840,000
		Intangible Assets	\$1,065,963,000
		Total Liabilities	\$4,474,401,000
		Shares Outstanding (Diluted Average)	217,487,000





Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

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