ModernGraham Valuation

Company Name: Hershey Co

Company Ticker HSY

Date of Analysis 3/28/2018

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	$20,700,819,906	Pass
2.	Sufficiently Strong Financial Condition	Current Ratio > 2	0.96	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	79.85%	Pass
6.	Moderate PEmg Ratio	PEmg < 20	24.70	Fail
7.	Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	22.66	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	0.96	Fail
2.	Sufficiently Strong Financial Condition	Debt to NCA < 1.1	-27.62	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
		Score		

Suitability

Defensive	**No**
Enterprising	**No**

Stage 2: Determination of Intrinsic Value

EPSmg		$3.98
MG Growth Estimate		3.02%
MG Value		**$57.84**
MG Value based on 3% Growth		$57.68
MG Value based on 0% Growth		$33.81
Market Implied Growth Rate		8.10%

MG Opinion

Current Price		$98.25
% of Intrinsic Value		169.86%
Opinion	**Overvalued**	
MG Grade	**D+**	

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-$12.49
Graham Number	$22.81
PEmg	24.70
Current Ratio	0.96
PB Ratio	22.66
Current Dividend	$2.55
Dividend Yield	2.59%
Number of Consecutive Years of Dividend Growth	8

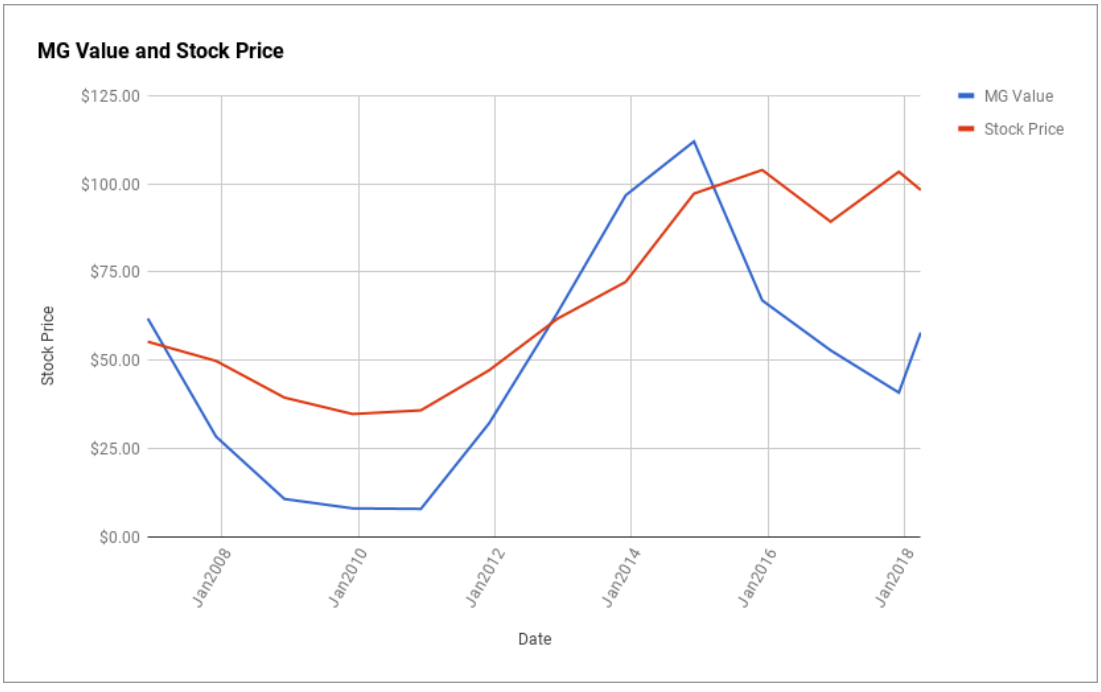
Useful Links:

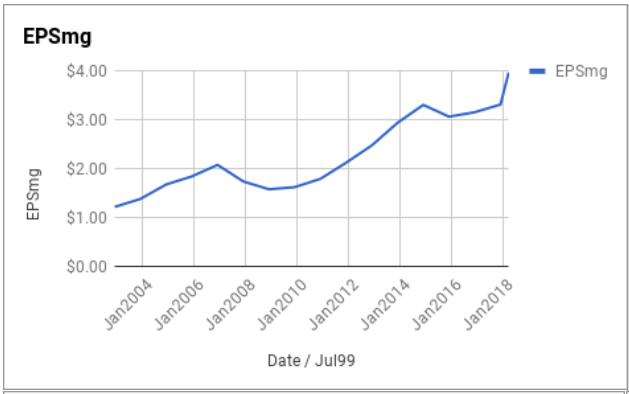
ModernGraham tagged articles	Morningstar
Google Finance	MSN Money
Yahoo Finance	Seeking Alpha
GuruFocus	SEC Filings

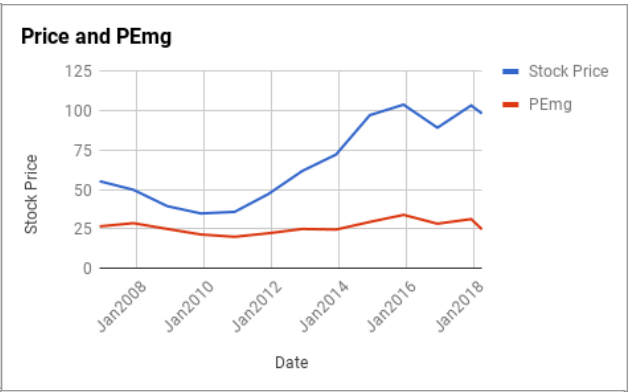
EPS History	
Next Fiscal Year Estimate	$5.32
Dec2017	$3.66
Dec2016	$3.34
Dec2015	$2.32
Dec2014	$3.77
Dec2013	$3.61
Dec2012	$2.90
Dec2011	$2.74
Dec2010	$2.21
Dec2009	$1.90
Dec2008	$1.36
Dec2007	$0.93
Dec2006	$2.34
Dec2005	$1.97
Dec2004	$2.24
Dec2003	$1.73
Dec2002	$1.47
Dec2001	$0.75
Dec2000	$1.18
Dec1999	$1.63
Dec1998	$1.17

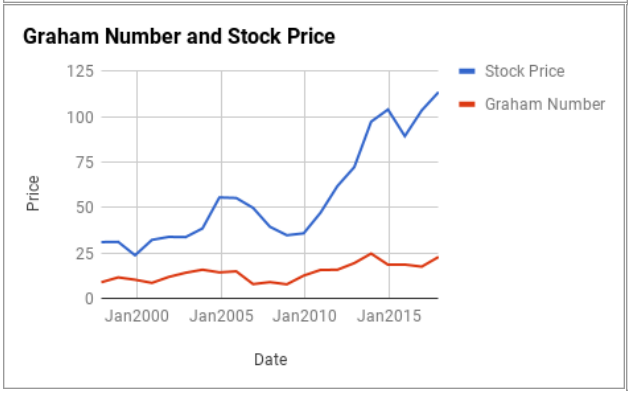
EPSmg History	
Next Fiscal Year Estimate	$3.98
Dec2017	$3.32
Dec2016	$3.16
Dec2015	$3.07
Dec2014	$3.31
Dec2013	$2.95
Dec2012	$2.48
Dec2011	$2.13
Dec2010	$1.80
Dec2009	$1.63
Dec2008	$1.58
Dec2007	$1.74
Dec2006	$2.08
Dec2005	$1.85
Dec2004	$1.68
Dec2003	$1.38
Dec2002	$1.22

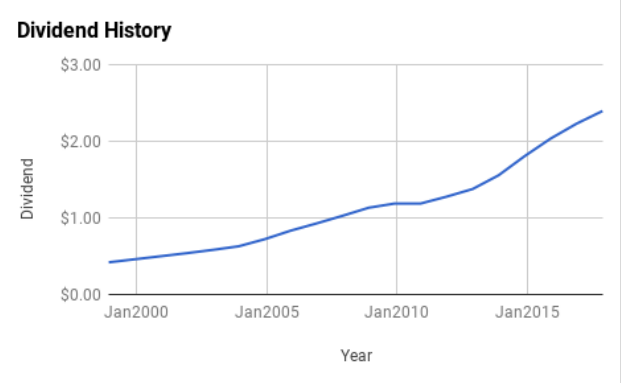
Balance Sheet Information	12/1/2017
Total Current Assets	$2,001,910,000
Total Current Liabilities	$2,076,543,000
Long-Term Debt	$2,061,023,000
Total Assets	$5,553,726,000
Intangible Assets	$1,190,217,000
Total Liabilities	$4,638,388,000
Shares Outstanding (Diluted Average)	211,108,000











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.

Recommended Reading:

Other ModernGraham posts about the company

58 Companies in the Spotlight This Week – 1/31/15
Hershey Company Annual Valuation – 2015 $HSY
14 Companies in the Spotlight This Week – 10/11/14
The Hershey Company Quarterly Stock Valuation – October 2014 $HSY

Other ModernGraham posts about related companies

The Coca-Cola Co Valuation – February 2018 $KO
Campbell Soup Company Valuation – September 2017 $CPB
Post Holdings Inc Valuation – Initial Coverage $POST
Dean Foods Co Valuation – Initial Coverage $DF
George Weston Limited Valuation – Initial Coverage $TSE:WN
Tyson Foods Inc Valuation – July 2017 $TSN
Darling Ingredients Inc Valuation – Initial Coverage $DAR
Mondelez International Inc Valuation – March 2017 $MDLZ
Calavo Growers Inc Valuation – Initial Coverage $CVGW
Hormel Foods Corp Valuation – March 2017 $HRL