

WESTPEAK RESEARCH ASSOCIATION

Kraft Heinz (NASDAQ: KHC)

Consumer Staples – Packaged Foods and Meats

Nothing Left to Squeeze Out

January 22, 2026

Found in ketchup bottles and Jell-O cups, Kraft Heinz Company is the third-largest food and beverage company in North America. With headquarters in Chicago and Pittsburgh, Kraft Heinz manages eight brands that each generate over \$1.0 billion in annual net sales, including Heinz, Kraft, and Oscar Mayer.

Industry Overview

The food and beverage industry are one of the most competitive sectors, and Kraft Heinz currently stands as a market leader. The industry is valued at \$8.71 trillion in 2025 and is expected to reach \$14.72 trillion by 2034, growing at a 6.0% CAGR. Key growth trends include evolving consumer lifestyles and the rapid expansion of e-commerce. Meanwhile, emerging international markets continue to present significant opportunities for future expansion and market leadership.

Thesis

Kraft Heinz's proposed spin-off to two separate companies (Global Taste Elevation Co and North American Grocery Co) fails to address the company's core challenges. Management has largely relied on pricing actions and cost optimization rather than developing a sustainable strategy to retain consumers and drive volume growth. The company's core issues are slipping brand relevance and a consumer shift towards healthier eating habits, which is reducing demand for KHC's products. As a result, the geographic separation risks duplicating corporate overhead and separation costs without resolving the underlying causes of revenue stagnation.

Valuation

We initiate coverage of Kraft Heinz with a **SELL** rating and a \$17.19 target price, based on a weighted valuation framework. Our target reflects equal 25% weightings across the perpetuity growth DCF, exit multiple DCF, EV/EBITDA, and P/E methodologies.

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Equity Research	Canada/US
Price Target	USD\$ 17.19
Rating	SELL
Share Price (Jan. 27 Close)	USD\$ 23.70
Total Return	(27.5%)

Key Statistics	
52 Week H/L	\$33.34/\$21.98
Market Capitalization	\$28.1B
Average Daily Trading Volume	13.9M
Net Debt	\$20.1B
Enterprise Value	\$41.5B
Net Debt/EBITDA	5.4x
Diluted Shares Outstanding	1.1B
Free Float	70.2%
Dividend Yield	6.8%

Analyst Forecast			
	2025E	2026E	2027E
Revenue	\$25.3B	\$24.8B	\$24.2B
EBITDA	(\$4.8B)	\$3.7B	\$3.6B
Net Income	(\$5.3B)	\$1.1B	\$1.1B
EPS	(\$4.4)	\$0.9	\$1.0
P/E	(5.3x)	21.5x	24.7x
EV/EBITDA	(8.7x)	11.2x	11.6x



Company Overview

Company History

The Kraft Heinz Company (NASDAQ: KHC) originated as two separate entities. The H.J. Heinz Company was founded by Henry John Heinz and became best known for its iconic Heinz Tomato Ketchup. Meanwhile, Kraft was founded by James L. Kraft, whose company later became famous for its cheese varieties. As the decades progressed, Kraft was acquired by National Dairy Products Corporation (1930) and then by Philip Morris Companies (1988) before splitting into two groups: Kraft Foods Group Inc. (a U.S. grocery product company) and Mondelez International (a snacks company). In 2015, Kraft Foods Group merged with H.J. Heinz Company, creating the third-largest food company in North America and fifth-largest in the world.

Revenue Breakdown

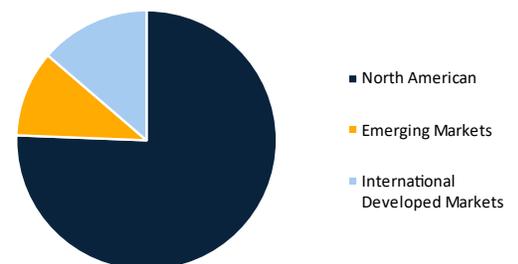
"Let's Make Life Delicious" — Kraft Heinz

"Let's Make Life Delicious" perfectly describes Kraft Heinz's target market and strategy. As a consumer-focused business, Kraft Heinz operates across eight product platforms: Taste Elevation, Easy Ready Meals, Hydration, Meats, Cheeses, Substantial Snacking, Desserts, and Coffee, along with other grocery products.

These eight platforms are organized under three strategic categories: Accelerate (Taste Elevation, Easy Ready Meals, Substantial Snacking), Protect (Desserts, Hydration), and Balance (Cheese, Coffee, Meats, Other). In December 2024, the three largest product platforms were Taste Elevation, Easy Ready Meals, and Hydration. Together, these represent over two-thirds of total sales, highlighting Kraft Heinz's strength in core condiments, convenient meal solutions, and beverage offerings that cater to everyday consumer needs.

Geographically, Kraft Heinz derived 75.6% of its 2024 revenue from North America, 13.7% from International Developed Markets, and 10.7% from Emerging Markets. Compared to 2023, net sales declined 3.0% year-over-year due to shifting consumer behaviour driven by economic uncertainty, which lowered demand for core products in the North American market such as Lunchables. Despite this decline, Kraft Heinz maintains an industry-leading position as it continues to deliver quality products to its consumers.

KHC 2024 Revenue Breakdown (%)



Strategic Pillars

In 2025, Kraft Heinz announced that it would split into two independent companies, each focused on different segments and platforms, with the goal of unlocking shareholder value across different markets.

Global Taste Elevation Co: this entity (*tentative name*) will concentrate on high-growth categories such as Taste Elevation and shelf-stable meals. It will manage iconic brands including Heinz, Philadelphia cream cheese, and Kraft Mac & Cheese, with a focus on sauces, spreads, seasonings, and emerging markets.

North American Grocery Co: this entity (*tentative name*) will concentrate on North American staples, managing brands such as Maxwell House, Oscar Mayer, Kraft Singles, and Lunchables. The focus will be on scaling operations and driving profitability within North American markets.

This separation is intended to improve strategic and operational focus by allowing each company to allocate resources more effectively toward its respective markets and priorities.

Industry Analysis

Industry Overview

In 2025, the global food and beverage industry is valued at \$8.71 trillion and is projected to reach \$14.72 trillion by 2034, expanding at a CAGR of 6.0% from 2025 to 2034. This growth is fueled by evolving consumer lifestyles and the expansion of e-commerce platforms. However, cost inflation and economic uncertainty have made it difficult for Kraft Heinz to maintain its competitive edge in this highly competitive industry. In response, Kraft Heinz has begun expanding its operations internationally across Europe and Pacific Developed Markets (EPDM), West and East Emerging Markets (WEEM), and Asia Emerging Markets (AEM) to target regions with the strongest growth potential.

Key Trends and Challenges

With North America (especially the United States) as its primary market, Kraft Heinz faces a precarious environment shaped by societal and economic shifts.

Societal Changes – Healthier Consumer Trends

Kraft Heinz relies heavily on the sale of products that do not meet modern health standards. Examples include Kraft Dinner, Lunchables, and Cool Whip. To put this in perspective, World Action on Salt, Sugar, and Health reported that 82.0% of Kraft Heinz's products fall below the standard definition of healthy. Additionally, recent industry trends show that younger generations have ranked "Better Health" as one of their top priorities when purchasing products, especially in North America. With consumer trends pointing toward healthier diets, Kraft Heinz faces a difficult choice: its brand is known for processed foods, and shifting toward healthier products may risk both its brand identity and the affordability that has defined its value proposition.

Political Changes – U.S. Tariffs and SNAP Benefit Cuts

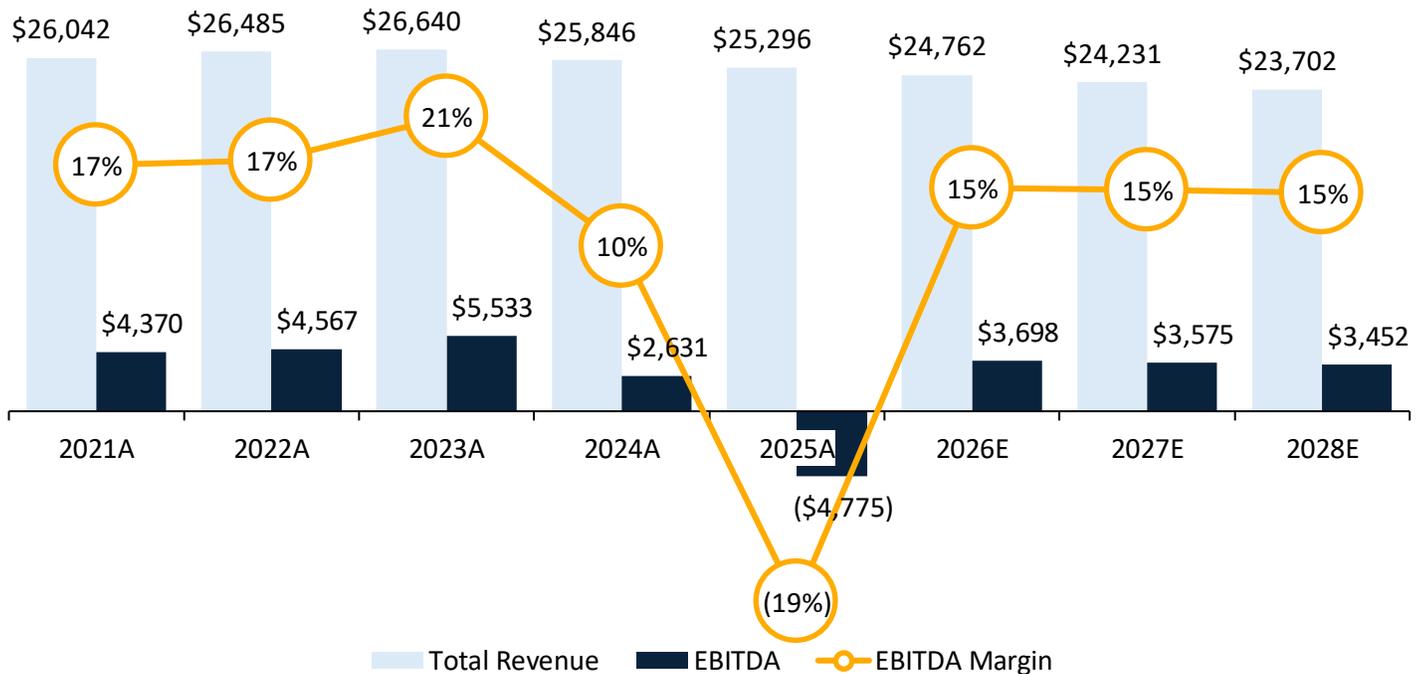
Following the passing of the "One Big Beautiful Bill Act of 2025," the United States tightened eligibility requirements for Supplemental Nutrition Assistance Program (SNAP) benefits. This change was reflected in Kraft Heinz's FY2023 performance, where net sales decreased by 1.0%. Coupled with rising ingredient costs driven by U.S. tariffs, Kraft Heinz faces both shrinking consumer demand and higher operating expenses.

Economic Changes – Rise of E-commerce

Another trend impacting Kraft Heinz is the rise of e-commerce. In recent years, the e-commerce space has experienced strong growth in essential goods, including food and beverage items. It is predicted that by 2026, digital grocery sales will account for 19.0% of U.S. e-commerce sales and become the largest e-commerce category. The main drivers of this trend include consumer demand for convenience, delivery options, and product variety. If Kraft Heinz can capitalize on this trend, it could unlock a new customer base.

Overall, the consumer trend toward healthier living and the political environment within the United States have caused Kraft Heinz to lose revenue in recent years. If Kraft Heinz cannot identify and respond to evolving customer preferences, it risks losing its largest market.

Income Statement Forecast (USD Billion)



Investment Theses

Investment Thesis 1 – A Split After a Decade

“It certainly didn’t turn out to be a brilliant idea to put them together, but I don’t think taking them apart will fix it.”

— Warren Buffett (Kraft Heinz’s Largest Shareholder)

On September 2, 2025, Kraft Heinz announced a plan to separate into two independent, publicly traded companies referred to as "Global Taste Elevation Co" and "North American Grocery Co." The former will focus on Taste Elevation, shelf-stable meals, and global markets, while the latter will primarily focus on North American staples.

This organizational change does not resolve Kraft Heinz's underlying demand challenges, including weak volume trends, aging brands, and limited penetration in faster-growing food categories. Less than 25.0% of Kraft Heinz’s revenue comes from international markets (10.7% Emerging, 13.7% Developed as of FY2024), limiting the impact of global outperformance. For example, in FY2023, despite 5.4% YoY growth in Emerging Markets and 6.5% YoY growth in International Developed Markets, a slow 1.1% YoY growth in North America held total revenue growth to just 0.6%.

Additionally, the proposed spin-off attempts to address fundamental demand and portfolio issues through a geographic reorganization. Global Taste Elevation Co. is expected to drive international growth using Kraft Heinz's strongest-performing products; however, global markets represent the company's lowest-margin segment. Furthermore, international markets tend to favor local brands with lower prices, localized flavors, and stronger community-based distribution networks. A more concentrated focus on international markets does not guarantee that these competitive disadvantages will be mitigated.

Conversely, North America Grocery Co. is expected to solidify its presence in North America through its legacy product portfolio; however, management has not articulated a clear strategy to improve product relevance or reaccelerate revenue growth. Despite repeatedly acknowledging unfavorable price and volume trends driven by healthier consumer preferences, Kraft Heinz has yet to present a concrete plan to drive North American growth. Kraft Heinz already operates with elevated gross margins (KHC: 34% vs. industry: 26%, as of FY2024), which suggests limited remaining runway for margin expansion through cost efficiency alone. If volumes remain pressured by shifting preferences toward healthier options, the company has fewer levers to protect earnings without relying on further price increases or portfolio changes.

In summary, the separation will likely duplicate business overhead costs and create additional operational complexity without resolving the underlying demand challenges. What Kraft Heinz needs to focus on is capturing rising industry trends and improving brand relevance to the market.

Investment Thesis 2 – Structural Stagnation

Over the past several years (FY2021–FY2024), Kraft Heinz has exceeded industry averages in both gross margin and EBITDA margin by approximately 8.0% and 7.0%, respectively. However, these margin advantages rest on weak revenue fundamentals. Since FY2021, Kraft Heinz has failed to generate meaningful revenue growth, delivering an effectively flat

three-year revenue CAGR, while the packaged foods and meats industry has grown steadily at approximately 2.0–6.0% annually over the same period.

This divergence suggests that Kraft Heinz's margin strength is driven by cost optimization and pricing adjustments rather than sustained topline volume growth or improving brand relevance. This view is supported by Kraft Heinz's persistent discount to industry EV/EBITDA multiples despite superior margins (KHC 2026 EV/EBITDA: 11.2x, Comparable Company Mean: 10.6x), indicating that the market questions the durability and quality of its earnings. We believe that the market's valuation discount is reasonable due to limited volume growth and ongoing brand relevance challenges. Importantly, these challenges appear structural rather than cyclical. In other words, Kraft Heinz's limitations are not primarily the result of temporary macroeconomic pressures or short-term consumer trends, but instead stem from inherent characteristics of its business model and competitive positioning. The company's core portfolio is anchored in value-oriented packaged food brands, which constrains its ability to unlock meaningful growth through innovation or premiumization. If Kraft Heinz decides to become more innovative and follow consumer trends by adding healthier ingredients, it would have to increase its prices. As a result, they would risk their brand appeal of being an affordable staple.

Market skepticism extends beyond Kraft Heinz to the broader industry, as industry TEV/Revenue and TEV/EBITDA multiples declined from approximately 1.7x to 1.3x and 11.7x to 10.1x, respectively, between 2020 and 2024.

Ultimately, Kraft Heinz faces a serious challenge rooted in its inability to drive volume growth. The company remains reliant on its high gross margin profile; however, margins are already elevated and offer limited capacity for further expansion. With ongoing cost inflation, Kraft Heinz will be forced to raise prices, reduce product quality, or sacrifice volume.

Valuation

Discounted Cash Flow Analysis

Revenue Growth

Kraft Heinz's revenue is projected to decline from \$25.85 billion in FY2024 to \$25.30 billion in FY2025, representing a 2.1% year-over-year decrease. From 2026 to 2030, revenue is projected to decline at a 2.2% CAGR, driven by continued volume pressure in North America and International Developed Markets, partially offset by growth in Emerging Markets.

Cost of Goods Sold (COGS)

COGS is estimated to account for 66.5% of total revenue. This is based on historical data.

Sales, General, and Administrative Expenses (SG&A)

SG&A is estimated to account for 9.7% of total revenue. This is based on historical data.

This places Kraft Heinz near the low end of the peer set. Comparable companies such as Conagra (11.0-12.0%), General Mills (16.0-17.0%), and Campbell's (15.0-16.0%) operate with materially higher SG&A intensity, while even low-cost peers

like Hormel run closer to 7.0-8.0%. As a result, further SG&A reductions appear structurally limited, which reinforces the view that it will be hard for KHC to cut costs to improve their overall profitability.

The Weighted Average Cost of Capital (WACC)

The cost of equity is calculated using a 4.1% risk-free rate, a 14.7% expected market return, and a 0.4x levered beta, resulting in an 8.8% cost of equity. The cost of debt is 4.3%, based on a 4.3% pre-tax cost of debt and a 26.0% effective tax rate. The WACC is calculated to be 6.9%.

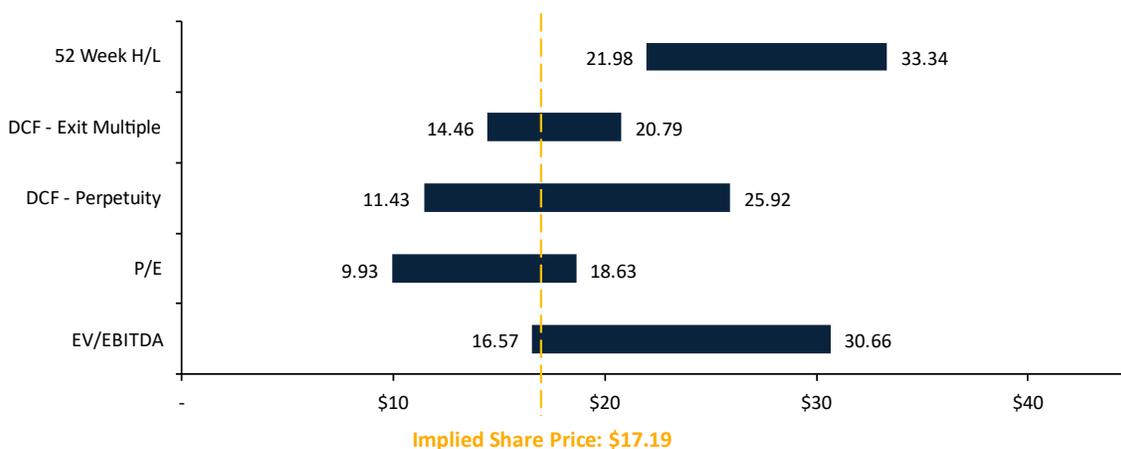
Perpetuity Growth Rate & Terminal EV/EBITDA Multiple

A 1.5% perpetuity growth rate is applied to reflect long-term inflation expectations. We applied a 10.6x EV/EBITDA exit multiple derived from the mean in our comparable company analysis.

Comparable Company Analysis

Our comparable company analysis includes peers within the packaged foods and meats industry that share similar business models, including Conagra Brands, Hormel Foods Corporation, The Campbell's Company, General Mills, McCormick & Company, and The J.M. Smucker Company. Across this group, 2026E EV/EBITDA multiples range from 8.9x to 13.4x, with a median of 9.9x and a mean of 10.6x.

Kraft Heinz trades at 11.2x 2026E EV/EBITDA and 25.1x 2026E P/E, versus a peer mean P/E of 13.7x, reflecting investor caution around the durability of its earnings and growth profile. Applying 2026E peer multiples implies an average EV/EBITDA-based share price of \$21.67 and a P/E-based share price of \$12.92.



Catalysts

Regulatory Pressures

With 70% of Kraft Heinz's revenue generated from the United States, the company is particularly sensitive to regulatory changes and tariffs. For instance, the Department of Health and Human Services (HHS) and the FDA have announced the

phase-out of all petroleum-based synthetic dyes from the U.S. food supply by the end of 2026. More recently, the Trump administration revised its nutrition framework with an emphasis on zero or minimal added sugars, higher intake of animal-based protein, and a reduction in highly processed foods. Given that Kraft Heinz's products are heavily exposed to sugar-containing, shelf-stable, and highly processed categories, these federal programs could pressure volumes in key North American brands and accelerate revenue loss.

Berkshire Hathaway

Berkshire Hathaway has announced that it may reduce or exit its 27.5% stake in Kraft Heinz. As the largest shareholder in Kraft Heinz, this announcement has negatively affected Kraft Heinz's reputation and the public's trust in the company's future. Furthermore, in the past five years, Kraft Heinz has been Berkshire's weakest-performing public equity, and Warren Buffet has publicly questioned the management's strategic direction, including the recent proposed corporate split.

A partial or full divestment by Berkshire Hathaway will remove a long-standing anchor investor and act as a strong negative signal to the market. This will further undermine the already weakening confidence in Kraft Heinz's ability to stabilize volumes and generate sustainable growth.

Risks

New CEO

On January 1, 2026, Kraft Heinz appointed Steve Cahillane as Chief Executive Officer. Mr. Cahillane previously served as CEO of the former Kellogg Company, which successfully executed a complex corporate separation. This leadership change presents a risk to our thesis, as Mr. Cahillane brings direct experience navigating large-scale transformations, having overseen the split of Kellogg into Global Snacking Co and North America Cereal Co, followed by value-accretive acquisitions by Mars and Ferrero. His proven track record in the packaged food sector could meaningfully support Kraft Heinz's ongoing restructuring efforts. Should Mr. Cahillane effectively execute a credible growth strategy and restore investor confidence, the market may reassess Kraft Heinz's valuation.

Shifts in Consumer Behaviour

Our thesis assumes that evolving consumer preferences will continue to pressure Kraft Heinz's core product portfolio. However, consumer behaviour may be more cyclical than anticipated, as periods of economic uncertainty often drive consumers back toward affordable, shelf-stable brands. If cost-of-living pressures persist or worsen, Kraft Heinz's value-oriented offerings could regain relevance and stabilize volumes. Such a shift in consumer behaviour would support sales performance and undermine our thesis.

Recommendation

SELL

We recommend a **SELL** for Kraft Heinz with a target price of \$17.19 and a total return of -27.5%. Our target price is derived from a weighted valuation framework that applies equal 25% weightings to the perpetuity growth DCF, exit multiple DCF, EV/EBITDA, and P/E methodologies. We believe this balanced approach approximately reflects Kraft Heinz's mature business profile and limited growth visibility. Despite being one of the largest food companies in North America, Kraft Heinz faces constant volume pressure and a steady decline in brand relevance. As a result, we view the company's current valuation as unsustainable and expect further downsides in the future.

Appendix 1: Income Statement

Income Statement											
Net sales	26,185	26,042	26,485	26,640	25,846	25,296	24,762	24,231	23,702	23,175	22,651
Cost of products sold	(17,008)	(17,360)	(18,363)	(17,714)	(16,878)	(16,834)	(16,479)	(16,125)	(15,773)	(15,423)	(15,074)
Gross profit	9,177	8,682	8,122	8,926	8,968	8,462	8,283	8,105	7,928	7,752	7,577
<i>Selling, general and administrative expenses</i>	3,650	3,588	3,575	3,692	3,616	3,412	3,340	3,268	3,197	3,126	3,055
<i>Depreciation & Amortization combined</i>	969	910	933	961	948	828	811	793	776	759	741
Depreciation	(705)	(671)	(672)	(710)	(696)	(584)	(571)	(559)	(547)	(535)	(523)
Amortization	(264)	(239)	(261)	(251)	(252)	(244)	(239)	(234)	(229)	(224)	(219)
SG&A (Excluding impairment losses)	(2,562)	(2,538)	(2,515)	(2,584)	(2,518)	(2,452)	(2,400)	(2,349)	(2,298)	(2,247)	(2,196)
R&D	(119)	(140)	(127)	(147)	(150)	(132)	(129)	(126)	(123)	(121)	(118)
Goodwill impairment losses	(2,343)	(318)	(444)	(510)	(1,638)	(6,806)	(1,051)	(1,051)	(1,051)	(1,051)	(1,051)
Intangible asset impairment losses	(1,056)	(1,316)	(469)	(152)	(2,031)	(3,847)	(1,005)	(1,005)	(1,005)	(1,005)	(1,005)
Operating income/(loss)	2,128	3,460	3,634	4,572	1,683	(5,603)	2,888	2,782	2,676	2,571	2,467
Interest expense	(1,394)	(2,047)	(921)	(912)	(912)	(1,116)	(1,019)	(923)	(856)	(789)	(723)
Other expense/(income)	(296)	(295)	(253)	27	(85)	-	-	-	-	-	-
Income/(loss) before income taxes	1,030	1,708	2,966	3,633	856	(6,719)	1,869	1,859	1,820	1,782	1,744
Provision for/(benefit from) income taxes	(669)	(684)	(598)	(787)	1,890	1,457	(751)	(723)	(696)	(669)	(641)
Net income/(loss)	361	1,024	2,368	2,846	2,746	(5,262)	1,118	1,136	1,124	1,113	1,103
Net income/(loss) attributable to noncontrolling inte	5	12	5	(9)	2						
Net income/(loss) attributable to common sharehold	356	1,012	2,363	2,855	2,744						
Shares Outstanding	1,223	1,224	1,225	1,218	1,195	1,184	1,184	1,184	1,184	1,184	1,184
Interest Rate	5%	7%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Tax Rate	(15%)	(16%)	(11%)	(17%)	46%	26%	26%	26%	26%	26%	26%
References											
Gross Debt	28,916	22,432	20,780	20,649	20,450						
Income/(loss) before income taxes (from GAAP)	4,576	4,373	5,220	4,517	4,067						
EBITDA	3,097	4,370	4,567	5,533	2,631	(4,775)	3,698	3,575	3,452	3,330	3,208
EBT	3,522	5,507	4,555	5,484	2,595	(4,487)	3,907	3,705	3,532	3,361	3,189
EPS	0.30	0.84	1.93	2.34	2.30	(4.45)	0.94	0.96	0.95	0.94	0.93

Appendix 2: Balance Sheet

Balance Sheet											
Cash and cash equivalents	3,417	3,445	1,040	1,400	1,334	9,044	6,683	5,659	5,059	4,743	4,413
Trade receivables, net	2,063	1,957	2,120	2,112	2,147	1,987	1,945	1,903	1,862	1,820	1,779
Inventories	2,554	2,729	3,651	3,614	3,376	2,955	3,265	3,372	3,317	3,257	3,233
Prepaid expenses	351	136	240	234	215	227	222	217	212	208	203
Other current assets	574	716	842	569	583	583	583	583	583	583	583
Assets held for sale	1,863	11	4	-	-	-	-	-	-	-	-
Total current assets	10,822	8,994	7,897	7,929	7,655	14,795	12,698	11,735	11,033	10,611	10,211
Property, plant and equipment, net	6,876	6,806	6,740	7,122	7,152	7,427	7,696	7,960	8,218	8,470	8,716
Goodwill	33,089	31,296	30,833	30,459	28,673	21,867	20,816	19,766	18,715	17,665	16,614
Goodwill Impairment Losses	-	-	-	-	-	(6,806)	(1,051)	(1,051)	(1,051)	(1,051)	(1,051)
Intangible assets, net	46,667	43,542	42,649	42,448	40,099	36,008	34,764	33,525	32,291	31,063	29,839
Amortization	-	-	-	-	-	(244)	(239)	(234)	(229)	(224)	(219)
Intangible Asset Impairment Losses	-	-	-	-	-	(3,847)	(1,005)	(1,005)	(1,005)	(1,005)	(1,005)
Other non-current assets	2,376	2,756	2,394	2,381	4,708	2,923	2,923	2,923	2,923	2,923	2,923
TOTAL ASSETS	99,830	93,394	90,513	90,339	88,287	83,020	78,898	75,909	73,180	70,731	68,303
LIABILITIES AND EQUITY											
Commercial paper & short-term debt	6	14	6	-	-	-	-	-	-	-	-
Current portion of long-term debt	230	740	831	638	654	1,905	833	833	578	578	578
Accounts payable	4,304	4,753	4,848	4,627	4,188	4,356	4,264	4,173	4,082	3,991	3,901
Accrued marketing	946	804	749	733	697	758	742	726	710	694	678
Interest payable	358	268	264	258	263	263	263	263	263	263	263
Income taxes payable	-	541	136	-	-	-	-	-	-	-	-
Liabilities held for sale	17	-	-	-	-	-	-	-	-	-	-
Other current liabilities	2,200	1,944	2,194	1,781	1,451	1,844	1,805	1,766	1,728	1,689	1,651
Total current liabilities	8,061	9,064	9,028	8,037	7,253	9,126	7,907	7,761	7,360	7,215	7,071
Long-term debt	28,070	21,061	19,233	19,394	19,215	19,287	17,622	15,957	14,802	13,647	12,492
Deferred income taxes	11,462	10,536	10,152	10,201	9,679	9,115	8,585	8,083	7,607	7,157	6,730
Accrued postemployment costs	243	205	144	143	135	335	314	307	290	282	282
Long-term deferred income	-	1,534	1,477	1,424	1,374	1,374	1,374	1,374	1,374	1,374	1,374
Other non-current liabilities	1,751	1,542	1,609	1,418	1,306	1,306	1,306	1,306	1,306	1,306	1,306
TOTAL LIABILITIES	49,587	43,942	41,643	40,617	38,962	40,543	37,107	34,787	32,738	30,980	29,255
Redeemable noncontrolling interest	-	4	40	34	6	86	86	86	86	86	86
Common stock	12	12	12	12	12	12	12	12	12	12	12
Additional paid-in capital	55,096	53,379	51,834	52,037	52,135	52,285	52,435	52,586	52,736	52,886	53,036
Retained earnings	(2,694)	(1,682)	489	1,367	2,171	(5,045)	(5,882)	(6,701)	(7,532)	(8,373)	(9,225)
Accumulated other comprehensive income/(losses)	(1,967)	(1,824)	(2,810)	(2,604)	(2,915)	(2,776)	(2,776)	(2,776)	(2,776)	(2,776)	(2,776)
Treasury stock, at cost	(344)	(587)	(847)	(1,286)	(2,218)	(2,218)	(2,218)	(2,218)	(2,218)	(2,218)	(2,218)
Total shareholders' equity	50,103	49,298	48,678	49,526	49,185	42,257	41,571	40,902	40,222	39,531	38,829
Noncontrolling interest	140	150	152	162	134	134	134	134	134	134	134
TOTAL EQUITY	50,243	49,448	48,830	49,688	49,319	42,391	41,705	41,036	40,356	39,665	38,963
TOTAL LIABILITIES AND EQUITY	99,830	93,394	90,513	90,339	88,287	83,020	78,898	75,909	73,180	70,731	68,303
Restricted Cash Flow	1	1	1	4	152	-	-	-	-	-	-
Balance check	-	-	-	-	-	-	-	-	-	-	-

Appendix 3: Cash Flow Statement

Cash Flow Statement											
CASH FLOWS FROM OPERATING ACTIVITIES:											
Net income/(loss)	361	1,024	2,368	2,846	2,746	(5,262)	1,118	1,136	1,124	1,113	1,103
Depreciation and amortization	969	910	933	961	948	828	811	793	776	759	741
Amortization of postretirement benefit plans prior se	(122)	(7)	(14)	-	-	-	-	-	-	-	-
Divestiture-related license income	-	(4)	(56)	(54)	(54)	-	-	-	-	-	-
Equity award compensation expense	156	197	148	141	109	150	150	150	150	150	150
Deferred income tax provision/(benefit)	(343)	(1,042)	(278)	17	(2,857)	(564)	(530)	(502)	(476)	(450)	(426)
Postemployment benefit plan contributions	(27)	(27)	(23)	(22)	161	200	(21)	(7)	(17)	(8)	-
Goodwill and intangible asset impairment losses	3,399	1,634	913	662	3,669	10,653	2,055	2,055	2,055	2,055	2,055
Nonmonetary currency devaluation	6	-	17	28	16	-	-	-	-	-	-
Loss/(gain) on sale of business	2	(44)	(25)	(4)	81	-	-	-	-	-	-
Proceeds from sale of license	-	1,587	-	-	-	-	-	-	-	-	-
Loss/(gain) on extinguishment of debt	-	917	(38)	207	-	-	-	-	-	-	-
Other items, net	81	(187)	7	-	(46)	-	-	-	-	-	-
Change in other non-current assets	-	-	-	-	-	1,785	-	-	-	-	-
Changes in current assets and liabilities:											
Trade receivables	(26)	87	(228)	18	(139)	160	42	42	42	41	41
Inventories	(266)	(144)	(1,121)	(106)	(6)	421	(310)	(107)	56	59	24
Accounts payable	207	408	152	(295)	(308)	168	(92)	(92)	(91)	(91)	(90)
Prepaid Expenses	-	-	-	-	-	(12)	5	5	5	5	5
Other current assets and liabilities	46	(32)	(314)	139	(38)	393	(39)	(39)	(39)	(38)	(38)
Accrued marketing	486	87	28	(562)	(98)	61	(16)	(16)	(16)	(16)	(16)
Interest Payable	-	-	-	-	-	-	-	-	-	-	-
Income Tax payable	-	-	-	-	-	-	-	-	-	-	-
Net change in current assets and liabilities	447	406	(1,483)	(806)	(589)	1,191	(410)	(207)	(43)	(39)	(74)
Net cash provided by/(used for) operating activities	4,929	5,364	2,469	3,976	4,184	8,981	3,173	3,418	3,570	3,580	3,549
CASH FLOWS FROM INVESTING ACTIVITIES:											
Capital expenditures	(596)	(905)	(916)	(1,013)	(1,024)	(859)	(841)	(823)	(805)	(787)	(769)
Payments to acquire business, net of cash acquired	-	(74)	(481)	-	-	-	-	-	-	-	-
Payments to acquire intangible assets	-	-	-	-	(140)	-	-	-	-	-	-
Settlement of net investment hedges	25	(28)	208	31	75	-	-	-	-	-	-
Proceeds from sale of business, net of cash disposed	-	5,014	88	-	8	-	-	-	-	-	-
Other investing activities, net	49	31	10	66	58	-	-	-	-	-	-
Net cash provided by/(used for) investing activities	(522)	4,038	(1,091)	(916)	(1,023)	(859)	(841)	(823)	(805)	(787)	(769)
CASH FLOWS FROM FINANCING ACTIVITIES:											
Repayments of long-term debt	(4,697)	(6,202)	(1,465)	(848)	(618)	-	(3,331)	(3,331)	(2,310)	(2,310)	(2,310)
Proceeds from issuance of long-term debt	3,500	-	-	657	594	-	1,665	1,665	1,155	1,155	1,155
Debt prepayment and extinguishment costs	(116)	(924)	10	-	-	-	-	-	-	-	-
Proceeds from revolving credit facility	4,000	-	-	-	-	-	-	-	-	-	-
Repayments of revolving credit facility	(4,000)	-	-	-	-	-	-	-	-	-	-
Proceeds from issuance of commercial paper	-	-	228	150	-	-	-	-	-	-	-
Repayments of commercial paper	0	0	-228	-150	-	-	-	-	-	-	-
Dividends paid	(1,958)	(1,959)	(1,960)	(1,965)	(1,931)	(1,955)	(1,955)	(1,955)	(1,955)	(1,955)	(1,955)
Repurchases of common stock	-	-	-	(455)	(988)	-	-	-	-	-	-
Change in Current Portion of Long-Term Debt	-	-	-	-	-	1,251	(1,072)	-	(255)	-	-
Change in Other Comprehensive Income / (Losses)	-	-	-	-	-	139	-	-	-	-	-
Other financing activities, net	(60)	(259)	(299)	(67)	(65)	-	-	-	-	-	-
Net cash provided by/(used for) financing activities	(3,331)	(9,344)	(3,714)	(2,678)	(3,008)	(565)	(4,692)	(3,620)	(3,365)	(3,110)	(3,110)
Effect of exchange rate changes on cash, cash equiva	62	(30)	(69)	(19)	(71)	-	-	-	-	-	-
Total Cash Flow	1,138	28	(2,405)	363	82	7,558	(2,360)	(1,024)	(600)	(317)	(330)
Starting Cash Balance	2,280	3,418	3,446	1,041	1,404	1,486	9,044	6,683	5,659	5,059	4,743
Balance at end of period	3,418	3,446	1,041	1,404	1,486	9,044	6,683	5,659	5,059	4,743	4,413
Balance with restricted cash flow	3,417	3,445	1,040	1,400	1,334	-	-	-	-	-	-
Balance check	-	-	-	-	-	-	-	-	-	-	-

Appendix 4: Discounted Cash Flow Analysis

Discount Rate Calculation

All Figures in mm USD

Cost of Equity	
Risk-free Rate	4.1%
Expected Market Return	14.7%
Market Risk Premium	10.6%
Levered Beta	0.4x
Cost of Equity	8.8%

Growth Rates	
Perpetuity Grow	1.5%
Exit Multiple	10.6x
WACC	6.9%

Valuation Method	Weight	Implied Value
Perpetuity Growth	25.0%	\$ 16.68
Exit Multiple	25.0%	\$ 17.50
Comps: EV/EBITDA	25.0%	\$ 21.67
Comps: P/E	25.0%	\$ 12.92
Blended Valuation		\$ 17.19
Current Share Price		\$ 23.70
Implied Downside		(27.5%)

Cost of Debt	
Pre-tax Cost of Debt	5.8%
Effective Tax Rate	26.0%
Cost of Debt	4.3%

Beta Calculations	
Mean Comp Set	0.20
Tax Rate	(56.7%)
Debt	20,130.0
Equity	27,721.2
Mean Beta Rel ^e	0.44

WACC	
Market Value of Equity	27,721.2
Market Value of Debt	20,130.0
Total Capitalization	47,851.2
Cost of Equity	8.8%
Cost of Debt	4.3%
WACC	6.9%

Free Cash Flow

All Figures in mm USD	31-Dec-20	31-Dec-21	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30
	2020A	2021A	2022A	2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	2,128	3,460	3,634	4,572	1,683	(5,603)	2,888	2,782	2,676	2,571	2,467
Less: Tax Expense	(669)	(684)	(598)	(787)	1,890	1,457	(751)	(723)	(696)	(669)	(641)
Add: Depreciation and Amortization	969	910	933	961	948	828	811	793	776	759	741
Less: Capital Expenditures	(596)	(905)	(916)	(1,013)	(1,024)	(859)	(841)	(823)	(805)	(787)	(769)
Less: Change in Net Working Capital	447	406	(1,483)	(806)	(589)	1,191	(410)	(207)	(43)	(39)	(74)
Unlevered Free Cash Flow	2,279	3,187	1,570	2,927	2,908	(2,986)	1,697	1,822	1,908	1,835	1,723
Discount Factor						0.93	0.87	0.81	0.75	0.70	
Present Value of Unlevered Free Cash Flow						1,580	1,580	1,541	1,380	1,207	

Valuation

Perpetuity Growth Rate	
Perpetuity Growth Rate	1.5%
PV Sum of UFCF	7,288
Terminal Value	22,784
Enterprise Value	30,072
Add: Cash	9,044
Less: Debt	(19,287)
Less: Other EV Adjustments	(86)
Equity Value	19,743
Shares Outstanding	1,184
Implied Share Price	16.68
Current Share Price	23.70
Total Return	(29.6%)

Exit Multiple Method	
Exit Multiple	10.6x
PV Sum of UFCF	7,288
Terminal Value	23,750
Enterprise Value	31,039
Add: Cash	9,044
Less: Debt	(19,287)
Less: Other EV Adjustments	(86)
Equity Value	20,709
Shares Outstanding	1,184
Implied Share Price	17.50
Current Share Price	23.70
Total Return	(26.2%)

		WACC				
		4.9%	5.9%	6.9%	7.9%	8.9%
Perpetuity Growth Rate	0.5%	23.86	17.73	13.50	10.41	8.04
	1.0%	27.37	19.90	14.96	11.43	8.79
	1.5%	31.91	22.57	16.68	12.62	9.65
	2.0%	38.03	25.92	18.76	14.01	10.63
	2.5%	46.73	30.27	21.31	15.66	11.77
Exit Multiple	8.6x	15.91	14.78	13.70	12.66	11.66
	9.6x	18.02	16.79	15.60	14.46	13.36
	10.6x	20.14	18.79	17.50	16.25	15.06
	11.6x	22.25	20.79	19.39	18.05	16.77
	12.6x	24.36	22.79	21.29	19.85	18.47

Appendix 5: Comparable Company Analysis

Comparable Company Analysis

All Figures in mm USD

		Balance Sheet Data		EV / EBITDA				Price / Earnings				Beta Calculations (2025)			
Company	Ticker	Equity Value	Enterprise Value	2024A EV/EBITDA	2025E EV/EBITDA	2026E EV/EBITDA	2027E EV/EBITDA	2024A P/E	2025E P/E	2026E P/E	2027E P/E	EBT	Debt	Tax Rate	Unlevered Beta
General Mills	NYSE: GIS	23,815	36,878	8.5x	10.4x	10.4x	10.5x	10.4x	9.6x	12.1x	12.0x	3,532	13,735	22%	0.13
McCormick & Company	NYSE: MKC	16,364	20,859	16.3x	15.8x	13.4x	12.7x	20.9x	20.8x	19.7x	18.3x	1,247	4,358	16%	0.27
Hormel Foods Corporation	NYSE: HRL	13,670	16,006	11.8x	13.1x	11.7x	11.1x	16.9x	28.6x	17.0x	15.9x	1,015	3,025	18%	0.33
The J.M. Smucker Company	NYSE: SJM	11,065	18,962	10.1x	10.4x	9.5x	8.9x	14.5x	N/A	11.5x	10.5x	1,750	7,961	5%	0.20
Conagra Brands	NYSE: CAG	8,654	16,232	6.9x	9.0x	9.5x	9.1x	25.1x	N/A	10.5x	10.0x	1,822	7,624	12%	0.15
The Campbell's Company	NASDAQ: CPB	8,090	15,231	8.5x	8.3x	8.9x	8.5x	14.4x	14.0x	11.2x	10.1x	1,748	7,307	11%	0.16
Kraft Heinz	NYSE: KHC	28,053	41,499	15.8x	(8.7x)	11.2x	11.6x	10.3x	(5.3x)	25.1x	24.7x	3,907	20,130	(56.7%)	0.21
High		23,815	36,878	16.3x	15.8x	13.4x	12.7x	25.1x	28.6x	19.7x	18.3x				0.33
75th Percentile		18,227	24,714	13.0x	13.8x	12.1x	11.5x	21.9x	26.6x	17.7x	16.5x				0.29
Median		12,367	17,597	9.3x	10.4x	9.9x	9.8x	15.7x	17.4x	11.8x	11.2x				0.18
Mean		13,610	20,661	10.4x	11.2x	10.6x	10.2x	17.0x	18.3x	13.7x	12.8x				0.20
25th Percentile		8,513	15,813	8.1x	8.8x	9.3x	8.8x	13.4x	10.7x	11.0x	10.1x				0.13
Low		8,090	15,231	6.9x	8.3x	8.9x	8.5x	10.4x	9.6x	10.5x	10.0x				0.13
				EV / EBITDA Implied Price				P / E Implied Price							
High				(\$75.2)	\$30.7	\$27.1	\$27.1	(\$127.0)	\$18.6	\$17.6	\$17.6				
75th Percentile				(\$66.9)	\$26.5	\$23.4	\$23.4	(\$118.4)	\$16.7	\$15.9	\$15.9				
Median				(\$53.3)	\$19.7	\$18.3	\$18.3	(\$77.3)	\$11.2	\$10.8	\$10.8				
Mean				(\$56.4)	\$21.7	\$19.3	\$19.3	(\$81.1)	\$12.9	\$12.3	\$12.3				
75th Percentile				(\$46.8)	\$17.8	\$15.3	\$15.3	(\$47.7)	\$10.4	\$9.7	\$9.7				
Low				(\$44.9)	\$16.6	\$14.4	\$14.4	(\$42.9)	\$9.9	\$9.6	\$9.6				

Appendix 6: Beta Calculations

Beta Calculations (2025)

EBT	Debt	Tax Rate	Unlevered Beta
3,532	13,735	22%	0.13
1,247	4,358	16%	0.27
1,015	3,025	18%	0.33
1,750	7,961	5%	0.20
1,822	7,624	12%	0.15
1,748	7,307	11%	0.16
3,907	20,130	(56.7%)	0.21

Appendix 7: Revenue Build

Revenue Build Schedule							Consumer Price Index Table (CPI) /Inflation Model Assumptions	
	31-Dec-25	31-Dec-26	31-Dec-27	31-Dec-28	31-Dec-29	31-Dec-30		
All Figures in mm USD	2025E	2026E	2027E	2028E	2029E	2030E		
Revenue Build								
North America							North America	
Revenue	19,035	18,541	18,059	17,590	17,133	16,688	Base CPI Values	
Revenue YoY	(2.6%)	(2.6%)	(2.6%)	(2.6%)	(2.6%)	(2.6%)	2025	2.0%
Percent Sales Change Price	-	-	-	-	-	-	2026	2.1%
Sales Change Currencies	(19.5)	(19.0)	(18.5)	(18.1)	(17.6)	(17.1)	A (Fixed Baseline Adjustment/Intercept)	(2.5%)
IS Sales Change - Currencies (%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)	B (Sensitivity to Price Change/Slope)	(0.75)
Volume/Mix Change %	(2.5%)	(2.5%)	(2.5%)	(2.5%)	(2.5%)	(2.5%)	Emerging Markets	
Organic Revenue	19,081	18,604	18,139	17,685	17,243	16,812	Base CPI Values	
Organic Growth Rate	(2.5%)	(2.5%)	(2.5%)	(2.5%)	(2.5%)	(2.5%)	2025	4.5%
Emerging Markets							International Developed Markets	
Revenue	2,768	2,767	2,755	2,731	2,696	2,649	Base CPI Values	
Revenue YoY	(0.0%)	(0.0%)	(0.4%)	(0.9%)	(1.3%)	(1.7%)	2025	2.1%
Percent Sales Change Price	-	-	(0.5%)	(1.0%)	(1.5%)	(2.0%)	2026	2.0%
Sales Change Currencies	(27.7)	(27.7)	(27.7)	(27.6)	(27.3)	(27.0)	A (Fixed Baseline Adjustment/Intercept)	(2.0%)
IS Sales Change - Currencies (%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	B (Sensitivity to Price Change/Slope)	(0.14)
Volume/Mix Change %	1.0%	1.0%	1.1%	1.1%	1.2%	1.3%		
Organic Revenue	2,886	2,914	2,931	2,935	2,926	2,904		
Organic Growth Rate	1.0%	1.0%	0.6%	0.1%	(0.3%)	(0.7%)		
International Developed Markets								
Revenue	3,493	3,454	3,416	3,380	3,346	3,314		
Revenue YoY	(1.2%)	(1.1%)	(1.1%)	(1.0%)	(1.0%)	(1.0%)		
Percent Sales Change Price	1.5%	1.6%	1.6%	1.7%	1.7%	1.8%		
Sales Change Currencies	(17.7)	(17.5)	(17.3)	(17.1)	(16.9)	(16.7)		
IS Sales Change - Currencies (%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)		
Volume/Mix Change %	(2.2%)	(2.2%)	(2.2%)	(2.2%)	(2.2%)	(2.2%)		
Organic Revenue	3,498	3,476	3,455	3,436	3,419	3,403		
Organic Growth Rate	(0.7%)	(0.6%)	(0.6%)	(0.6%)	(0.5%)	(0.5%)		
Region %								
North American	75.2%	74.9%	74.5%	74.2%	73.9%	73.7%		
Emerging Markets	10.9%	11.2%	11.4%	11.5%	11.6%	11.7%		
International Developed Markets	13.8%	13.9%	14.1%	14.3%	14.4%	14.6%		
Total Revenue	25,296	24,762	24,231	23,702	23,175	22,651		
Total Revenue YoY	(2.1%)	(2.1%)	(2.1%)	(2.2%)	(2.2%)	(2.3%)		

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