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Research Summary

Kellogg Company



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Kellogg Company

NYSE: K

The Kellogg Company is an American multinational food manufacturing company. The company is headquartered in Battle Creek, Michigan in the United States. It was incorporated in the year, 1906 on February 19. The founder is Will Keith Kellogg. The company has its operation worldwide. Kellogg's produces cereal and convenience foods, including crackers, toaster pastries, Corn Flakes, Rice Krispies, Frosted Flakes, Pringles, Eggo, and Cheez-It.

C-Level Executive

- Steven Cahillane, Chairman & CEO
- Nicolas Amaya, Senior Vice President
- Kris Bahner, Senior Vice President Corporate Affairs

Industry Analysis

Kellogg Company is an American multinational food manufacturing company. It has thrived the market with its unique breakfast product. The main reason of success of this company is the target audience were children initially between 3 to 12 years old and senior adults above 65 years old. The vision of this company was "where people are not just fed but fulfilled.



Key Financial Highlights 3Q21



6% YoY

Kellogg's Q3 2021 GAAP net sales increased 6% year on year



9% YoY

Reported operating profit in the third quarter increased 9% year on year



-12%

Reported earnings per share declined by approximately 12%.



+6%

Earnings per share increased 6%, and on a currency-neutral adjusted basis

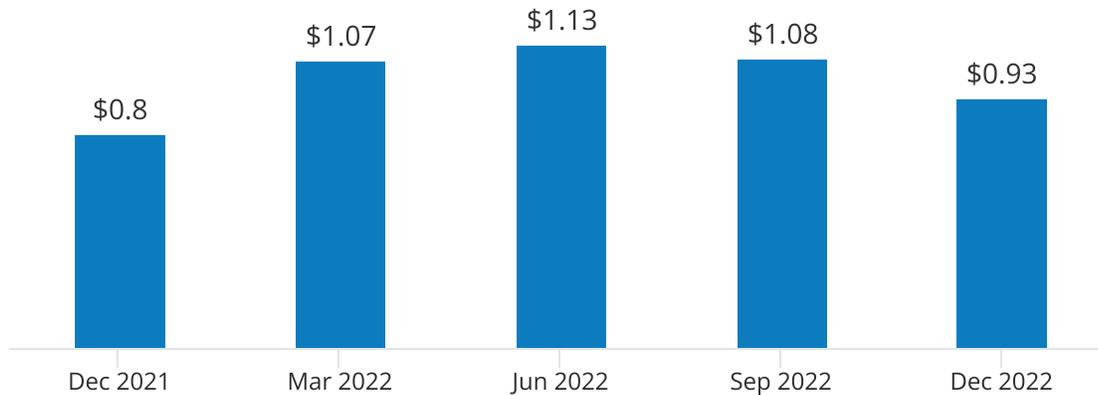
Competitors

- General Mills.
- Mondelez International.
- Kraft Heinz.
- J M Smucker.
- Ingredion.
- Quaker Oats Company.
- Nestle.
- Conagra Foods



Outlook

Quarterly Earnings Forecast (Consensus EPS Forecast)



For fiscal year 2022, the company expects:

- Organic net sales growth is now expected to be 2-3% in 2021
- Expects currency-neutral adjusted earnings per share remains approximately +1 - 2% growth
- Anticipates net cash provided by operating activities remains approximately \$1.6 - \$1.7 billion



Steven Cahillane,
Chairman & CEO

“ We truly want them back to work. And we think we've got a very, very good proposal, again, with increases on top of already industry-leading compensation. So I think reasonable heads should prevail based on all that. And that's kind of the view that we're taking. We want to get to a negotiated settlement, get back to work, and we think we've given the best guidance that we can based on all those different factors. ”



Business Segment Analysis

Kellogg North America's

- Kellogg North America's reported net sales in the third quarter were approximately flat, as a positive price/ mix from revenue growth management actions.
- On an organic basis, net sales declined by less than 1%.
- In North America's operating profit increased 2%.
- On an adjusted and currency-neutral adjusted basis, operating profit increased by 4%.

Kellogg Europe's

- In Q3 net sales increased 14%, driven by strong volume and price/mix growth.
- Net sales increased 12% on an organic basis.
- Operating profit increased 55%, driven by favorable currency translation.
- Adjusted operating profit increased by 51%, and 47% excluding currency.

Kellogg Latin America's

- Net sales increased by 7%.
- On an organic basis, net sales increased by 2%.
- Operating profit declined by 7% on a reported basis.
- Adjusted operating profit decreased by 10% and 13% on neutral and on currency basis.

Kellogg Asia Pacific, Middle East and Africa's

- Reported net sales increased by 17%.
- On an organic basis, net sales increased by 20%.
- Operating profit increased by 4%.
- Operating profit increased by 4% on an adjusted basis.
- Operating profit increased by 6% on a currency neutral adjusted basis.

“ We are in the process of negotiating right now, and so out of respect for that process, I'm not going to get into a lot of detail, which I'm sure you can appreciate. But we have always treated our employees with respect and fairness, and that includes industry-leading compensation and benefits. The offer that we have in front of the union right now is increased compensation on top of that already industry-leading compensation and benefits, and we are not asking to take anything away despite what you may have heard publicly.”

Steven A. Cahillane,
Chairman & CEO



SWOT Analysis

Strength

- The largest brand of breakfast cereal.
- Through its marketing strategy the company has targeted towards child nutrition
- Broad range of differentiated products.
- High level of customer satisfaction.
- Strong cash flow to grab the market

Weakness

- Competition from other breakfast brands with their substituted product.
- Significant price competition.
- Slow innovation of new product development

Opportunities

- Targeting schools and restaurant as the chief staple food for breakfast.
- Developing emerging market to boost sales.
- Shifting to the online market.
- Broaden the product range for new segments

Threat

- Regulation by the government often restricts operations.
- Increase in market fragmentation.
- Emergence of new international competitors



Excerpts from the Earnings Call Q&A

- Regarding the question on faster pace growth Europe it was answered that the terrific growth in all those international markets are driven by increases in penetration and buy rate.
- Questions related to the supply and production backdrop in the US were answered by Steven that high standard aim to get better and better.
- Regarding the question on full-year guidance and wide range of Q4 it was answered that Q4 continue to be challenging from a cost standpoint.
- Regarding the question on contingencies like labor challenges, logistics, higher raw materials it was answered that Kellogg has made plans for contingencies well in advance.
- Amit Banti replied to the question of inflation. He said inflation came in at high single-digit rates in Q3.
- Regarding the Pringles brand it was explained that it is a great brand. It's highly differentiated. It handles innovation extremely well. It carries flavor like no other snack

Key Developments

- Kellogg India decides to expand the range of breakfast cereals.
- Kellogg's is set to invest \$50m to restructure its North American supply chain.
- Kellogg to Lay Off More than 200 in Battle Creek, Michigan.
- Kellogg's RX brand plant-based protein called RX Cereal.
- Kellogg enters a three-year deal to provide plant-based products to Sodexo.
- Kellogg has entered into a partnership with Albertsons Companies join forces to feed children in need.



Bay Area, San Francisco, CA