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HF RESEARCH
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GENERAL MILLS (GIS)

April 10, 2024

Consumer Staples – Food Production

Investment Thesis

We recommend a **BUY** rating for General Mills with a target price of $82, for an upside of 16.2%. The company's growing pet segment presents an attractive upside to differentiate itself within a mature industry, but a rising population of price-conscious consumers presents headwinds for top-line growth. The stock has been hit hard in the last 12 months due to lower sales but has shown momentum after stronger Q3 FY24 earnings and rising expectations.

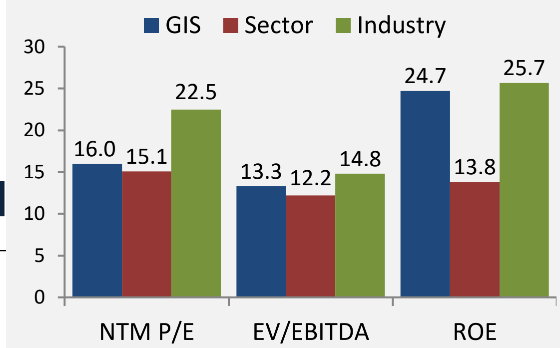
Drivers of Thesis

- Lower input cost inflation will increase gross margins by 160 bps in FY24, driven by reduced commodity prices and supply chain efficiencies.
- Continued growth and diversification of the company's pet segment will provide revenue growth of up to 5% per year in 2026, supported by rising consumer confidence, a strong market share, and brand recognition.
- A disciplined capital structure will provide value to shareholders with an ROIC consistently above 25%, coupled with reliable dividends and stock repurchases.

Risks to Thesis

- A growth in value-seeking behaviors by customers has resulted in more support for private-label products, lowering volume by mid-single-digits (MSD) in the last fiscal year.
- A strong dollar and sustained geopolitical uncertainty in China and Brazil will lower growth on a constant-currency basis, falling to -2% to 0% per year by 2026.
- An above-average D/E of 1.94x and a below-average current ratio of 0.69x threaten to lower the company's debt rating, thereby damaging investor sentiment.

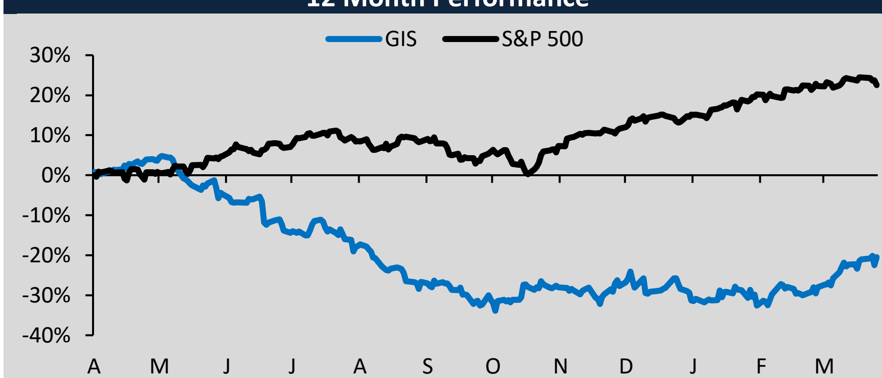
Stock Rating	BUY
Target Price	**$82**
Henry Fund DCF	$85
Henry Fund DDM	$79
Relative Multiple	$59
Price Data	
Current Price	$70
52wk Range	$60 – 91
Consensus 1yr Target	$71
Key Statistics	
Market Cap (B)	$39.4
Shares Outstanding (M)	564.5
Institutional Ownership	78.0%
Beta	0.6
Dividend Yield	3.4%
Est. 5yr Growth	2.1%
Price/Earnings (TTM)	16.0
Price/Earnings (FY1)	16.0
Price/Sales (TTM)	2.0
PEG (NTM)	3.7
EV/EBITDA (NTM)	13.3
Profitability	
Operating Margin	17.1%
Profit Margin	12.9%
Return on Assets (TTM)	7.7%
Return on Equity (TTM)	24.0%



Earnings Estimates

Year	2021	2022	2023	2024E	2025E	2026E
EPS	$3.81	$4.46	$4.36	$4.40	$4.68	$4.94
HF est.				$4.38	$4.67	$4.92
Growth	*6.2%*	*17.0%*	*-2.1%*	*0.5%*	*6.9%*	*5.4%*

12 Month Performance



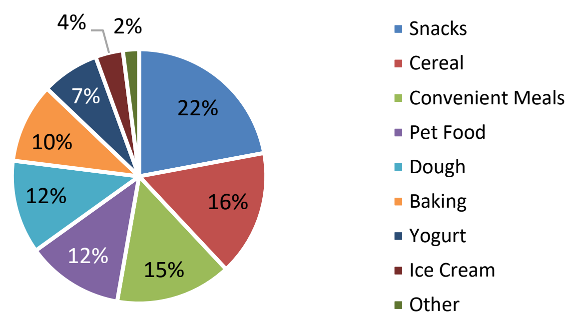
Company Description

General Mills is a manufacturer of packaged consumer products through retail stores. It is one of the largest food producers in the world and oversees a portfolio of 100+ recognizable brands including Cheerios, Lucky Charms, Pillsbury, Nature Valley, and Blue Buffalo. The company's operations are well diversified, with no single product line accounting for more than 25% of its annual sales. The company was founded in 1928 and is headquartered in Minneapolis, Minnesota.

COMPANY DESCRIPTION

General Mills, Inc. is a manufacturer and marketer of packaged consumer products sold through retail stores. Founded in 1928, it is one of the largest producers in the world overseeing nine billion-dollar brands and employing over 34,000 employees worldwide.[1] Its product categories include snacks, cereal, convenient meals, pet food, refrigerated and frozen dough, baking ingredients/mixes, yogurt, and ice cream. Its portfolio of over 100 brands includes numerous household names including Betty Crocker, Blue Buffalo, Cheerios, Haagen-Dazs, Nature Valley, Old El Paso, Pillsbury, Totino's, and Yoplait. Revenue across product categories is greatly diversified, with each segment accounting for no more than 25% of the company's annual net sales. In recent years, Pet has overtaken Dough as the fourth-largest product line at roughly 12% of sales, while Yogurt and Ice Cream continue to decrease driven by brand divestitures.[1] The following figure shows the company's revenue breakdown by product line from the last fiscal year:

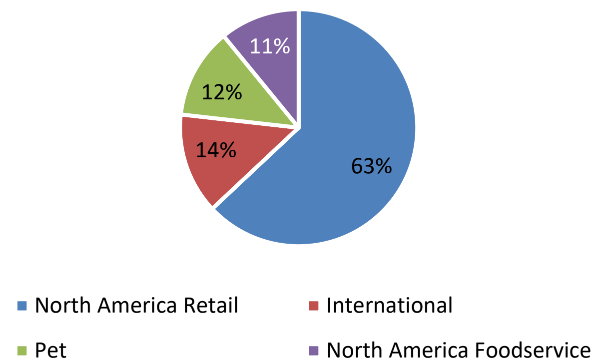
GIS Revenue by Product Line ($20.1B)



Source: GIS 2023 10-K

More generally, however, the company categorizes its operations into four key segments – North America Retail, International, Pet, and North America Foodservice.[2] While its retail segment focuses on its relationship with a wide variety of grocery stores, membership stores, and convenience stores (among others), its food service segment targets food distributors, food vendors, and supermarket bakeries.[2] North America Retail has historically earned 60-65% of the company's annual revenues, but its pet segment has been growing the fastest, achieving a compound annual growth rate (CAGR) of 11.6% since being introduced in 2019. The following figure shows the company's revenue breakdown by operating segment from the last fiscal year.

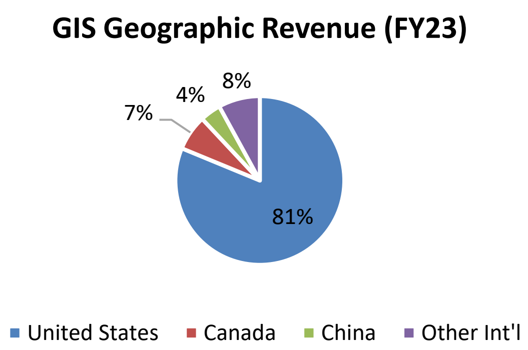
GIS Revenue by Segment (FY23)



Source: GIS 2023 10-K

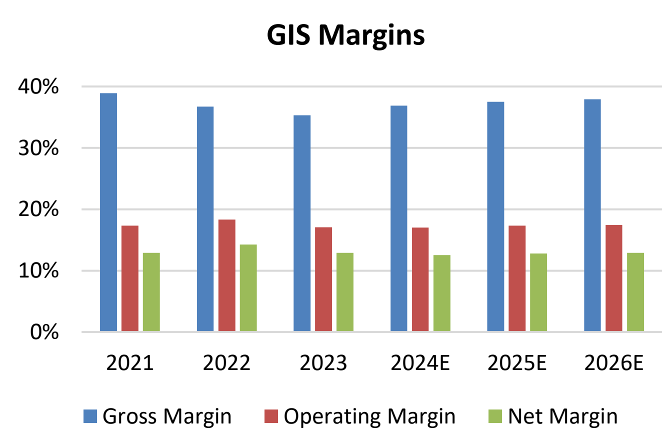
In February 2021, General Mills unveiled its Accelerate growth strategy that focused on four key pillars – building brands, innovating, adding scale, and standing for good.[2] Since then, the program has been largely successful, with net sales growing at 2%-3% on a constant-currency basis and its operating margin growing at a CAGR of 4.9%. Capital allocation has also greatly benefited shareholders, with over $1.4 billion in share repurchases and a dividend that grew from $2.02/share to $2.16/share last year.[3] Given the company's longstanding portfolio and forward-thinking approach, the Henry Fund believes the Accelerate strategy will continue to benefit shareholders and help maintain a steady low-single-digit (LSD) to mid-single-digit (MSD) revenue growth and a 5.3% CAGR of FCF over the forecast horizon.

Through its numerous subsidiaries, General Mills has a large international presence with an established market share in the United States, Canada, China, Brazil, the United Kingdom, France, Australia, and India.[1] However, in recent history, the company has focused more domestic-ally, with the United States' contribution to net sales increasing by ten percentage points over the last 7 years. Geopolitical tensions and foreign exchange (ForEx) rate fluctuations have significantly impacted the food processing industry over the last decade, causing management to pivot toward more localized traffic in North America.[4] The following figure shows a breakdown of the company's revenue by geographic segment from the last fiscal year:

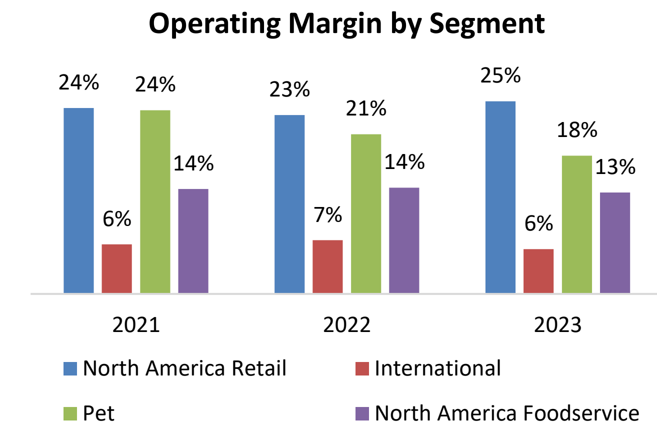


Source: GIS 2023 10-K

Given the intense competition in the food production industry, General Mills has historically been a high-margin business. Gross margins typically hover around 38% of revenues with net margins consistently above 10%.[5] However, due to high input cost inflation over the last two years, margins have been squeezed, reducing the company's gross margin to 35% in fiscal year 2023 (FY23), its lowest mark in the past decade. On the other hand, operating and net margins have been able to increase, driven by a $194 and $445 million gain from divestitures in FY22 and FY23. While the company has been active in restructuring its brand portfolio in recent years, the Henry Fund forecasts a net $0 impact over the forecast horizon, driven by management's discussion to maintain the status quo for the near future. Further, lower input cost inflation and reduced commodity prices should allow gross margins to return to pre-pandemic levels of 38%. North America Retail continues to drive operating margins, helping offset declines in the company's pet segment due to higher input costs, media/advertising expenses, and lower volumes.[4] The following figures show the company's profitability by line item and operating segment:



Source: GIS 10-Ks, Henry Fund Estimates



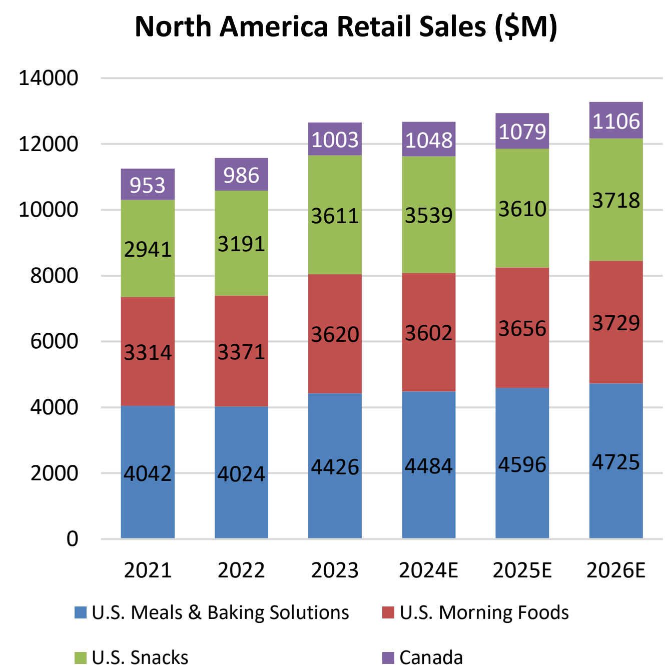
Source: GIS 2023 10-K

North America Retail (63% of Net Sales)

Serving as the company's largest operating segment, North America retail consists of the company's relationship with a wide variety of grocery stores, mass merchandisers, membership stores, discount stores, convenience stores, and e-commerce grocery providers.[2] Its revenues from this segment are broken down into four sub-categories including U.S. Meals and Baking Solutions, U.S. Morning Foods, U.S. Snacks, and Canada. In general, this operating segment is very stable, given the minimal amount of ForEx risk and its focus on individual necessities. However, dating back to 2018, U.S. Snacks has seen the highest growth of any operating segment, achieving a CAGR of 11.9% and topping $3.6 billion in revenue in FY23. As the company approaches the end of its 2024 fiscal year in May, growth is only expected to be 0.1% for this segment, driven by lower volume from consumers and declines in U.S. Meals & Baking and U.S. Snacks. Particularly within snacks, this lower volume was attributed to a recall in January from Quaker Oats that included over 40 granola bars due to possible salmonella contamination.[6] While General Mills does not own the Quaker Oats brand, its Nature Valley brand was negatively impacted.

One of the strong points within this segment has been the company's commitment to media and advertising expenses. Many of these strategies have been designed to target more niche subgroups of the population, through new flavors, presentation styles, or ingredient mixes. Some of these initiatives include the Cheerios Heart Healthy campaign, 20% More Meat in Blue Buffalo Wilderness, and Pillsbury eatable cookie dough.[1] Compared to FY18, the company has increased these expenses by 41%, totaling $810 million in FY23. As a result, the company has been able to grow or hold its market share in 68% of its North American retail products.[7]

The Henry Fund believes U.S. Meals and Baking Solutions and U.S. Morning Foods will provide the strongest growth going forward, driven by the success of its Pillsbury, Betty Crocker, and cereal brands, peaking at 3-4% in 2027. Despite snacks' double-digit growth in FY23, revenues will contract by 2% in FY24 due to lower volumes. While analysts foresee this segment recovering by 2026, the team is less optimistic given the "fad" nature of the industry and the expansion of private-label brands. Thus, growth will remain muted at only 2-3%. Canada should continue to see steady growth of 2-4%, driven by stronger brand awareness and on-shelf availability.



Source: GIS 10-Ks, Henry Fund Estimates

International (14% of Net Sales)

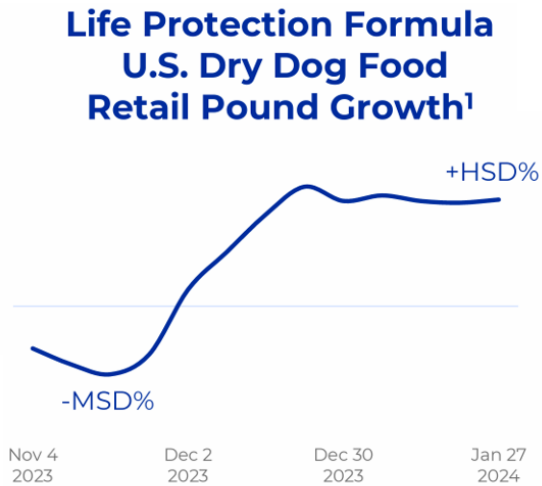
The International segment consists of all retail and food service businesses outside of the United States and Canada. Given the stability of the company's other operating segments, international sales have historically been volatile due to ForEx rate fluctuations. While these have been favorable in recent years, a divestiture from the company's Yoplait Europe line,[1] a recall on Haagen-Dazs vanilla ice cream,[8] and geopolitical risks in the Chinese and Brazilian markets,[4] net sales have decreased by double digits in each of the last two years. The company also hedges its ForEx risks with currency forward and swap contracts, which hold a notional value of $933 million as of FY23. While management has seen strong support for its Wanchai Ferry frozen dumplings in China, it is expecting higher input costs due to increased commodity prices and suppressed sales.

General Mills also operates under two joint ventures -- Cereal Partners Worldwide (CPW) and Haagen-Dazs Japan (HDJ). CPW is an agreement between General Mills and Nestle to produce breakfast cereals. The company operates out of Switzerland and markets to over 130 countries (not including the United States and Canada). All products are sold under the Nestle brand, despite many originating from General Mills.[9] Haagen-Dazs Japan serves as a partnership for the company to oversee its ice cream operations outside of North American markets. General Mills currently has a 50% stake in the agreement.[2] Last year, these joint ventures generated $1.1 billion in net sales with after-tax earnings of $81 million and are reportedly separately on the company's income statement under "After-Tax Earnings from Joint Ventures."

Similar to U.S. Snacks, analysts expect growth to rebound to MSD growth by 2026, however, the Henry Fund remains cautious. Growth will remain steady at +2% through 2025 but drop to -1.5% to -2.5% due to the company's refocus towards more North American sales. Geopolitical tensions between China and the United States will likely persist, driving this adjustment. While the team projects commodity prices will remain stable over time, greater success will be found through the company's North American retail segment due to more reliable economic activity and a strong dollar.

Pet (12% of Net Sales)

Established as an operating segment in 2019, Pet includes pet food products sold primarily in the United States and Canada to pet superstore chains, e-commerce retailers, grocery stores, and veterinary clinics and hospitals.[2] In February 2018, General Mills acquired Blue Buffalo for $8 billion in cash.[10] At the time, Blue Buffalo was one of the fastest-growing natural pet food and treat companies. Since then, GIS has built on this success, expanding the company's product line across various dietary, lifestyle, and life-stage needs. Over the past five years, this portion of the company's revenues has grown at a CAGR of 11.6%. Today, Blue Buffalo continues to serve as one of the market's leaders, serving as the number one most loved and trusted pet food brand as well as the most recommended brand by pet parents.[1] Much of this success has stemmed from the company's Life Protection Formula (a dry dog food product line made with real meat, whole grains, and fruits and vegetables). Over the last 18 months, the four-week moving retail volume growth has improved significantly, flipping from negative MSD in November 2023 to positive high-single-digit (HSD) by January 2024.[11]



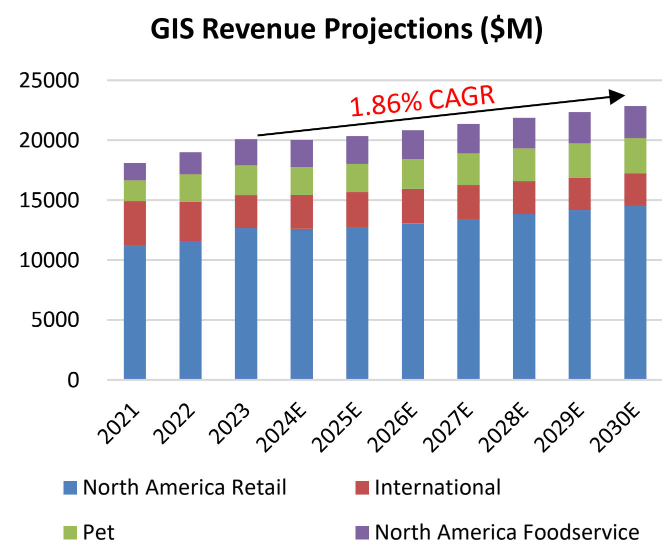
Source: 2024 CAGNY Presentation

Going forward, the Henry Fund believes the pet segment will be the biggest catalyst for growth, outperforming analyst expectations. By leveraging the company's strong market share through Blue Buffalo, while looking to expand into other product lines such as wet food and cats, the company will be able to achieve consistent 4-5% growth. When also combined with improving industry trends of pets among families, General Mills is well positioned to outperform its competitors who have less diverse revenue streams.

North America Foodservice (11% of Net Sales)

As the company's smallest operating segment, North America Foodservice includes single-serving cereal and yogurt, snacks, frozen meals, and bakery flour. Products are sold to distributors through several customer channels including vending and supermarket bakeries.[2] Financial results are largely dependent on pricing, product mix, and demand and generally see more volatile swings than the North American Retail segment.[4] Fluctuations are more closely tied to macroeconomic activity with the segment's primary customers being restaurants and vendors, therefore being more prone to demand swings. Over the last two fiscal years, revenues have increased roughly 20% per year largely driven by resilient demand, favorable pricing, and an acquisition in 2023. However, sticky cost inflation has reduced operating margins for this segment by roughly 300 basis points (bps), primarily driven by bakery flour. Looking ahead, the Henry Fund remains neutral on this segment's outlook, in line with analyst's expectations. Stable input costs with weakening customer demand may slow topline growth to 2-3% through 2025 but pick up shortly thereafter due to a rebound in restaurant traffic. Bakery flour and input costs have plagued this segment's profitability since 2021 but are positioned to stabilize due to falling commodity prices.

In summary, below is a projection of the company's revenues across all four operating segments. Growth will be relatively muted over the long term, with Pet and U.S. Meals and Baking Solutions (N.A. Retail) being the primary drivers over the forecast horizon.

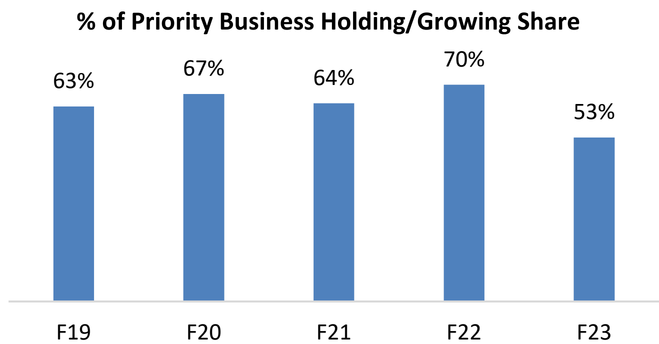


Source: GIS 10-K, Henry Fund Estimates

Market Share and Customer Base

Given the sheer number of competitors within the food production industry, pricing dynamics and market share are key factors affecting a company's performance. For General Mills, managing an international portfolio of over 100 brands places them in a position of great strength, and is regularly one of the market leaders within the cereal, pet food, snack bars, Mexican food, and ice cream segments.[4] Compared to other conglomerates such as Hormel Foods, Mondelez International, Kellanova, and Conagra Brands, General Mills has one of the most diverse revenue streams, tapping into eight key product lines that are relatively immune to macroeconomic pressures.

In the last fiscal year, several subsidiaries made market share gains at a domestic and international level. These included Cheerios (globally), Pillsbury refrigerated dough (U.S.), fruit snacks (U.S.), Totino's hot snacks (U.S.), Progresso soup (U.S.), and Kitano seasonings (Brazil).[4] Furthermore, General Mills held or grew its market share in 53% of its priority business (products defined as top 10 in its geographic category). A summary of the company's market share through these products is shown below:



Source: GIS 2023 Earnings Presentation

While over half the company's brands continued to excel, the 17% drop from FY22 was largely attributed to the growth of private-label and store-branded products. High inflation resulted in consumers trending towards more cost-effective alternatives, which negatively impacted General Mills and other conglomerates alike. In a recent earnings call, management noted that they are not overly concerned about the decrease, citing that private label success is historically limited to recessions, where "third and fourth-tier players" are hit the hardest long-term.[12] Going forward, the Henry Fund remains cautiously optimistic, forecasting that the company will be able to grow/maintain roughly 60% of its priority business over the long term. Consumers are more preferential towards private-label products than ever before, and even General Mills is not immune to its effects.

Nevertheless, General Mills offers some of the most popular brands in North America, protecting its market share against many private label offerings. For example, Cheerios holds the largest market share among cereals by a factor of 2.6x, with the company holding a first-mover advantage in snack bars and fruit snacks.[7] The company continues to apply a dual marketing strategy by innovating existing products and introducing new ones. Released as a new cereal in 2008, Cinnamon Toast Crunch has now grown to be the company's third-largest cereal brand behind Cheerios and Lucky Charms and is the sixth-largest breakfast cereal in America.[13] Likewise, the introduction of Honey Nut Cheerios in 1979, 38 years after Cheerios were released, helped General Mills establish itself as a market leader within the cereal segment. Furthermore, the humanization of pet food has been extremely favorable for the company's pet segment through its Blue Buffalo subsidiary, with it still being considered the most popular pet food brand in America.[4]

While private label brands continue to gain popularity, General Mills' brand recognition and strong advertising strategies will continue to push its existing brands forward, coupled with reduced inflation and rising disposable incomes for consumers. The following table shows the most popular cereal brands in America in 2024 based on Amazon demand data, with their corresponding producer (K = Kellanova/Kellogg, QO = Quaker Oats, POST = Post Holdings, BG = B&G Foods):

1	Cheerios (GIS)
2	Cream of Wheat (BG)
3	Honey Bunches of Oats (POST)
4	Lucky Charms (GIS)
5	Frosted Flakes (K)
6	Cinnamon Toast Crunch (GIS)
7	Corn Flakes (K)
8	Raisin Bran (K)
9	Rice Krispies (K)
10	Life Cereal (QO)

Source: Pattern

General Mills' customer base is very concentrated, with its five largest customers attributing over 50% of its net sales in its North American Retail, North American Foodservice, and Pet segment. Walmart is the leader of this group, accounting for 21% of the company's annual net sales in the last fiscal year.[2] While this concentration poses a significant risk to topline performance if not sustained, it is less than most of its competitors (see "Operating Metrics" under Peer Comparisons). Furthermore, in October 2023, General Mills and Walmart agreed to collaborate in helping accelerate the adoption of regenerative agriculture across 600,000 acres of farmland in the United States by 2030.[14] The land targeted are key regions where both companies source ingredients for their products. The

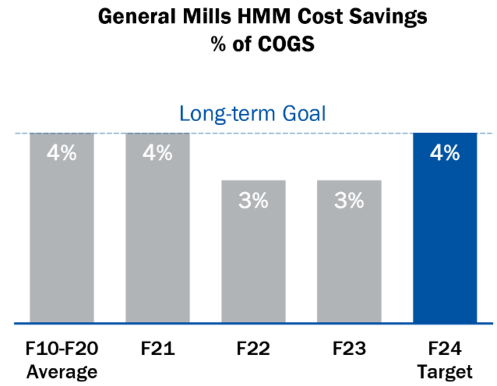
Henry Fund believes this agreement will be upheld, as historical analysis has shown that Walmart has been General Mill's top customer for each of the last seven years.[2] Thus, the team does not anticipate any negative impacts on net sales from this arrangement in the foreseeable future.

Holistic Margin Management (HMM)

Launched in 2005, one of the company's longstanding drivers for operational efficiency is its Holistic Margin Management (HMM) program. The program strives to protect against inflation in the costs of commodities and market volatility. The company's long-term goal is to apply these ideas across all points of its supply chain to help drive out any non-value-added costs.[15]

HMM continues to help drive efficiencies across the company, allowing it to quickly rebound from disruptions during the pandemic. From 2019-2021, profitability rose significantly, with operating margins growing by 240 basis points. HMM is also allowing the company to push its technological infrastructure forward by digitalizing its supply chain network and using analytics to optimize logistics. While higher inflation has reduced its gross margins in recent years, it has still been able to outperform its competitors. Furthermore, its operating and net margins have remained steady at roughly 18%, and 13%, respectively.

This next fiscal year, management is projecting to deliver 4% cost savings. Inventory levels are also beginning to normalize and currently sit at their lowest levels since the second quarter of FY22. However, the Henry Fund believes this goal is ambitious, due to hotter-than-expected inflation through the first quarter of 2024. Thus, the team is only forecasting cost savings of 2.5% relative to FY23. Long term, the team is more optimistic and agrees that HMM is a significant competitive advantage, allowing General Mills to meet its profitability goals. The following chart shows the cost savings HMM has provided the company over the last 15 years:



Source: GIS 2023 Earnings Presentation

Debt Maturity Analysis

As one of the most mature companies in the world, General Mills can afford larger amounts of debt on its balance sheet. Dating back to 2018, the company's debt-to-equity ratio (D/E) has been well above industry averages but has reached more normalized levels in the present day. In this time, its D/E has fallen from 3.60x to 1.94x in the last six years. By industry standards, this is roughly on par with its competitors, as the company has significant amounts of publicly and privately held debt. The company's debt is considered investment-grade, rated BBB according to S&P.[16] This is also on par with its competitors, with the only company not currently holding investment-grade status being Post Holdings (B+ rating). Hormel holds the strongest rating of the peer group, currently measured as A- by S&P.[16]

A majority of the company's debt is held in current and long-term debt accounts, amounting to $11.67 billion in the last fiscal year. While the company has never defaulted on its debt, it only has $2.27 billion in cash and accounts receivables, a current ratio of only 0.69x, and a net debt-to-EBITDA ratio of 2.7x. Fortunately, the company has an interest coverage ratio of 9.0x and primarily uses fixed interest rates on its outstanding obligations. The company also employs a wide range of maturity dates between the U.S. dollar and the Euro. Going forward, the Henry Fund is still confident in the company's ability to repay its debt despite operating with a high amount of leverage. The team will continue to monitor the company's liquidity management, especially as it looks to maintain its commitments to its shareholders through steady dividend growth of four to eight cents per year and consistent stock repurchases. The following table represents the company's five-year debt maturity schedule:

Five-Year Debt Maturity Schedule

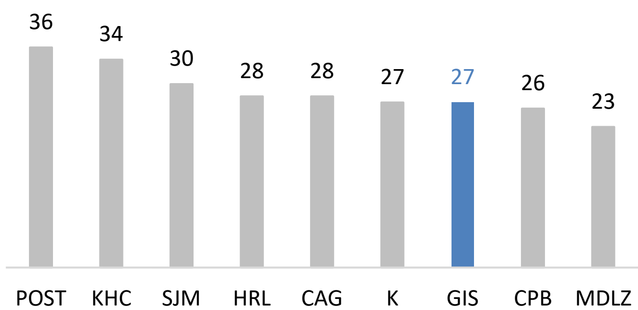
Fiscal Year	Coupon (%)	Payment ($mil)
2024	4.33%	$1,709
2025	3.20	801
2026	0.45	1,680
2027	3.21	1,179
2028	4.54	1,400
Thereafter	4.05	3,062
Total		$9,831

Source: GIS 2023 10-K, FactSet

ESG Analysis

Below is a distribution of ESG ratings among General Mills' competitors. Ratings between 20 and 30 are considered "medium" risk, while ratings above 30 are "high" risk.

Peer Group ESG Ratings



Source: Sustainalytics

The food production industry rarely faces scrutiny for its ESG practices. However, the most significant environmental risks often stem from greenhouse gas (GHG) emissions and sustainable farming practices. As the figure shows, GIS is considered "medium risk" and has the third-best rating of its peer group. One of the company's key pillars is to "stand for good," by limiting its GHG emissions from its factories and engaging in more regenerative agriculture. Since 2020, the company has reduced its annual GHG emissions by 30%, already meeting its goal for the entire decade.[17] Going forward, the company is now looking at other initiatives to reduce its "Scope 3" emissions, including more regenerative agriculture (Walmart agreement), deforestation mitigation, and strong supplier engagement. Long term, the Henry Fund does not consider ESG a threat to the company's operations.

RECENT DEVELOPMENTS

Recent Earnings Announcement

On March 20, 2024, General Mills released the Q3 fiscal 2024 earnings. The company reported $5.1 billion in revenue for a surprise of +2.9%, with earnings per share (EPS) at $1.17 for a surprise of +12.5%.[18] The release marked the ninth quarter in a row in which the company had beat EPS expectations, and the fourth time in the last six that the company had beat revenue expectations.[5] Highlights across various operating segments included the following:[4]

- **North America Retail**: Flat organic net sales growth, with 44% of products holding/growing their market share.
- **Pet**: -3% organic net sales growth, driven by lower pound volume within its Blue Buffalo "Wilderness" line.
- **North America Foodservice:** +1% organic net sales growth, driven by improving non-restaurant traffic and volume growth among cereal, frozen biscuits, and yogurt.
- **International:** -3% organic net sales growth, caused by geopolitical tensions in China and Brazil but offset by steady growth in Europe and Australia.
- **Management:** Reiterating FY24 guidance with adjusted operating profit and diluted EPS growth of 4-5%.

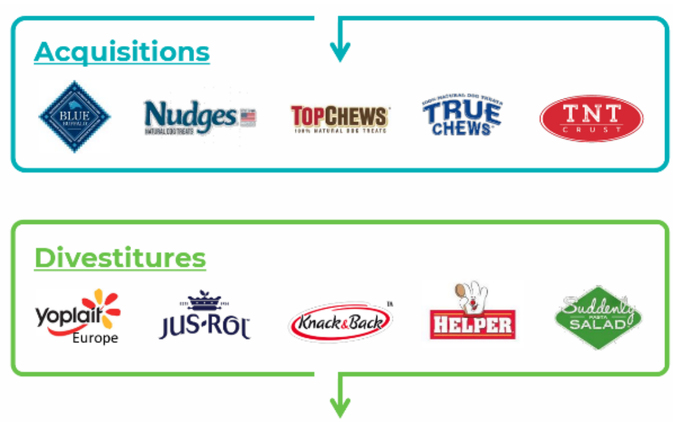
Despite the company's strong performance relative to traditional Wall Street estimates, its stock has struggled, driven by quarterly misses on its cost of goods sold. In three of the last four quarters, its COGS were higher than expected, resulting in lower gross margins and stock price implications of -3% to -5%. In the past year, the stock has fallen by more than 22%. Ultimately, the Henry Fund believes this tightening will be short-lived, driven by reduced cost inflation and stabilized commodity prices, helping the company afford its healthy payout policy.

On August 1, 2023, the company announced a 9% increase in its quarterly dividend to $0.59/share ($2.36/year), raising it for the fourth year in a row.[3] This continues the company's tradition of maintaining or raising its dividend for the 38th straight year. The company also completed $1.40 billion worth of share repurchases, making it the most active year for such programs since FY17. Long term the company eyes growing its dividend in line with earnings and making repurchases to reduce outstanding shares by 1-2% on average.[18]

The Henry Fund is generally in agreement with management and analyst expectations through 2026. The team expects growth to be LSD to MSD over the forecast horizon, with North American Retail and Pet segments being the biggest catalysts for growth. Dividends should continue to grow at four to eight cents per share per year with share repurchases of roughly $500 to $1500 million. As inflation subsides by 2026 and beyond, consumer sentiment toward name-brand products will increase volumes and more positive price/mix. While the company has relatively high debt levels, liquidity should not pose a threat due to sustained margins. The team also believes the company will continue to divest from its international footprint due to ForEx risks and geopolitical uncertainty in Asia and South America. While hedging strategies through swaps and treasury locks are currently utilized by the company,[2] a focus on the company's brand and portfolio domestically will provide the smoothest path to long-term growth.

Acquisitions and Divestitures

Over the last five years, the company has frequently changed its brand portfolio to position itself for future endeavors. This activity has included several acquisitions and divestitures to stabilize financial performance. A summary of these actions since 2018 is described below, in which the company has turned over roughly 20% of its business:



Source: 2024 CAGNY Presentation

Certainly, the Blue Buffalo acquisition from 2018 was the most significant investment in recent history, however, the divestiture from Helper main meals and Suddenly Salads as well as the acquisition of Tyson Foods' pet treats have been equally impactful.

In July 2021, General Mills acquired Tyson Foods' pet treats business for $1.2 billion in cash. The business includes Nudges, Top Chews, and True Chews line of products and is a leader in the natural pet treat market. The acquisition serves as a great complement to the company's Blue Buffalo line of products and emphasizes the company's serious commitment to expanding its pet segment. One year later, in July 2022, General Mills sold Helper main meals and Suddenly Salads to Eagle Foods for roughly $610 million. In the previous fiscal year, these brands generated a combined $235 million in net sales (~5.8% of U.S. Meals and Baking Solutions).[20]

The Henry Fund believes General Mills' history of acquisitions and divestitures has been worthwhile. These recent actions encapsulate the company's plan for the next five years – building its pet line while leveraging its brand recognition within North American Retail. Ultimately, the Helper and Suddenly Salad lines were making it increasingly difficult for the company to invest in its cereal and baking line of products, which have shown an uptick in demand in recent years. Removing these companies from its portfolio will free up additional capital for the company to continue delivering on its Accelerate strategy, which has helped drive double-digit (DD) growth in refrigerated dough and high single-digit (HSD) growth in cereal over the last two years.

Commodity Prices and Exchange Rates

Several commodities such as wheat, soy, and corn are valuable inputs to several of General Mills products. As a result, price fluctuations can have a significant impact on overall production costs and the company's bottom line. In early 2022 these commodities were priced near all-time highs due to supply and demand constraints driven by the Russia-Ukraine war.[21,22,23] This directly impacted General Mills' FY22 results, causing their cost of goods sold to rise by 220 bps from the previous year.[5] Since then, these commodity prices have steadily declined to more normalized levels.

Although very unpredictable, foreign exchange rates can have a material impact on the company's reported revenues and earnings. While only roughly 20% of the company's annual sales are generated in international markets, ForEx fluctuations of the Canadian dollar, British pound, euro, Chinese yuan, Australian dollar, and Brazilian real can have a significant impact on profitability. In recent history, the impact of ForEx rates has been mixed for General Mills given the various inflation rates around the world. Last fiscal year, ForEX rates had a combined -1% impact on organic net sales growth, driven by the USD/EUR reaching parity in July 2022.[24]

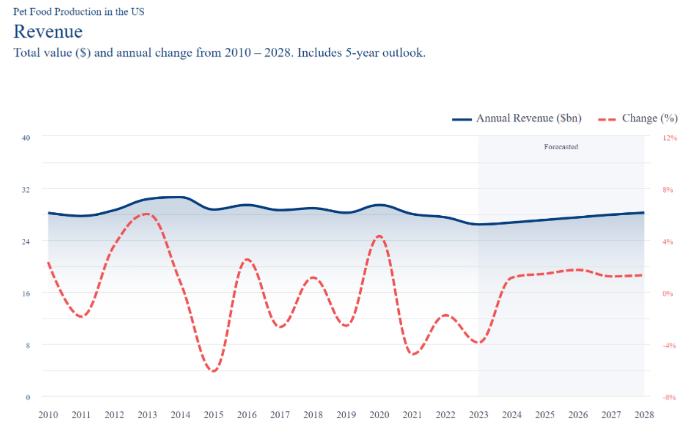
To protect against this uncertainty, General Mills uses a variety of derivatives to hedge these risks, including forward and swap contracts. While there is no guarantee these agreements can completely offset any volatility, they are vital in stabilizing operating results. The Henry Fund stands with management's viewpoint that these are an integral part of the company's financing and should continue to be utilized going forward. The team also projects the USD/EUR exchange rate will remain relatively unchanged for the next two years at roughly $1.08-$1.10.

INDUSTRY TRENDS

Household Pets/Animal Food Production

The COVID-19 pandemic resulted in a surge in pet ownership as more individuals became homebound and looked for other external sources of comfort. For General Mills, this was perfect timing for their newly incorporated Blue Buffalo line of products, causing revenues to jump over 18% in FY20. In more recent years, pet ownership has steadied, but the growth of higher-priced, premium dog food has continued to expand as owners look to offer their pets more "humanized" alternatives. Industry research has shown that pet parents are more likely to splurge on organic and premium pet food products compared to their human counterparts, but rising inflation has made this more difficult for the general population.[25] Currently, 66% of U.S. households own a pet, with dogs as the most popular choice in the U.S. Further, Americans spent $136.8 billion on pets in 2022, which was an 11% increase from 2021.[26]

Looking ahead, the Henry Fund anticipates that pet ownership will continue to grow and rebound in 2026 and 2027, driven by rising disposable incomes. Dry dog food currently holds the largest market share of pet food production with Mars. Inc. (a privately-owned firm) as the largest producer.[25] As of 2022, Blue Buffalo was the fifth largest pet food producer holding a 6% market share.[27] The following chart shows the total revenue from pet food production in the United States since 2010, as well as a five-year forecast. Analysts expect revenue to increase at a 1.3% CAGR through 2028, while the Henry Fund predicts 2.6% for General Mills, given the company's ability to offer a more premium selection of products.



Source: IBIS World

Cooking From Home/E-Commerce Retail

Similar to pet ownership, the COVID-19 pandemic drove an increase in cooking from home and online retail shopping. While restaurants across the country have reopened, a recent survey from the National Frozen and Refrigerated Foods Association (NFRFA) found that 64% of Americans still prefer to cook at home.[28] A major driver for this shift has been the influence of social media and the prioritization of healthier options, where now over 50% of Americans credit these factors for them wanting to continue cooking at home.[28] This has been extremely beneficial to General Mills' North American retail segment, which has experienced a 5.0% CAGR dating back to FY19. A similar shift has occurred with the company's e-commerce platform, which saw 24% growth in sales in the last fiscal year alone. Likewise, the global air fryer market has boomed since the pandemic and is expected to expand at a CAGR of 7.2% through 2031.[29] General Mills is especially well positioned for this growth through their Green Giant and U.S. meal and baking solutions segment as more consumers look for more efficient ways to prepare their meals. These factors, along with consumers' desires to avoid increasingly expensive meals at restaurants, will be major catalysts for the company's growth going forward.

Food Inflation

Driven by several factors since reopening after the pandemic – supply/demand dynamics, commodity prices, wage inflation – the costs of eating at restaurants have dramatically risen over the last five years. Research has found that it is currently 3.85x more expensive to eat at a restaurant than at home in the United States ($16.28 vs. $4.23/meal). Furthermore, the cost of eating the same meal at a restaurant compared to at home can cost individuals an additional $13,000 per year.[30] While cooking at home does require a learning curve and has a significant time investment, it can be especially beneficial for those with dietary preferences. As seen in the study with NFRFA, 49% of American consumers now consider the "healthiness" of ingredients when eating, further driving the preference for at-home cooking.[28] The Henry Fund believes this trend will continue, even if the costs of eating out are more affordable due to lower inflation. Consumer sentiment has drastically shifted toward preparing their meals, which General Mills has already seen through its dough and baking mixes line of products. The convenient meals segment has been relatively flat in recent years, but the team anticipates this growth to accelerate by 2026 as consumers push for more of these products. The following table shows the cost difference between eating in and out at a national level, as well as the states with the largest and smallest differences.

State	Eating Out ($)	Eating In ($)	Difference ($)
Nat'l Avg	16.28	4.23	12.05
New York	25.00	5.60	19.40
Wyoming	8.98	3.48	5.50

Source: Top Nutrition Coaching

MARKETS AND COMPETITION

General Mills competes directly with a variety of companies within the consumer staples industry. While each of the following companies may manufacture a different selection of products, all generally target the same consumer, operate at similar sizes, and are subject to comparable external factors. Below is a table summarizing key statistics among General Mills' peer group.

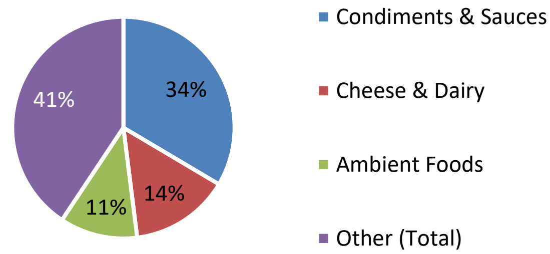
	Market Cap ($B)	Sales ($M)	Net Margin	Dividend Yield	NFY P/E
Kraft Heinz Co.	44.0	26,640	10.7%	4.4%	12.1
Hormel Foods Corp.	18.6	12,110	6.6%	3.3%	21.6
Mondelez International	88.7	36,016	13.8%	2.7%	19.2
Kellanova	18.9	13,122	5.9%	4.2%	15.8
Conagra Brands Inc.	14.2	12,277	5.6%	4.6%	11.0
J.M. Smucker	11.7	8,529	~~-1.1%~~	3.8%	12.1
Campbell Soup	12.7	9,357	9.2%	3.5%	14.0
Post Holdings, Inc.	6.1	6,991	4.3%		17.1
Avg	**26.9**	**15,630**	**8.0%**	**3.8%**	**15.4**
General Mills	**39.4**	**20,094**	**12.9%**	**3.5%**	**16.1**

Source: FactSet

Kraft Heinz (KHC)

Kraft Heinz is a manufacturer of food, condiments, and beverage products headquartered in Pittsburg, Pennsylvania. In July 2015, Heinz Holding Corporation merged with Kraft Foods Group to create the present-day company and owns over 200 brands including Kraft, Oscar Mayer, Heinz, Philadelphia cream cheese, and Kool-Aid. Eight (~5%) of the company's brands have valuations of over $1 billion. The company divides its operations into four segments – condiments and sauces, cheese and dairy, ambient foods, and other (including frozen foods, meats, beverages, etc.). Last fiscal year, 76% of its revenues were generated within North America.[31]

KHC Revenue Decomposition ($26.6B)

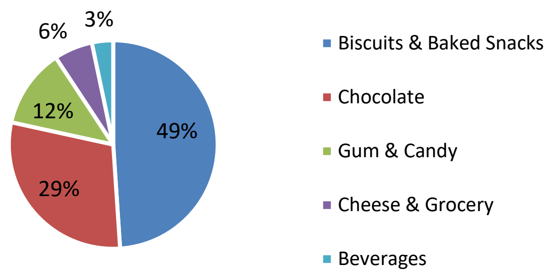


Source: FactSet

Mondelez International (MDLZ)

Mondelez International is a manufacturer and marketer of chocolate, snack, and beverage products headquartered in Chicago, Illinois. The company oversees 42 brands including Nabisco, Belvita, Chips Ahoy!, Oreo, Ritz, and Cadbury. Seven (~17%) of the company's brands have valuations over $1 billion. The company originated as Kraft Foods Inc. but was later renamed Mondelez in 2012 while spinning off its grocery business as Kraft Foods Group. The company divides its operations into five segments -- biscuits and baked snacks, chocolate, gum and candy, cheese and grocery, and beverages. Last fiscal year, 27% of its revenues were generated within the United States.[32]

MDLZ Revenue Decomposition ($36.0B)

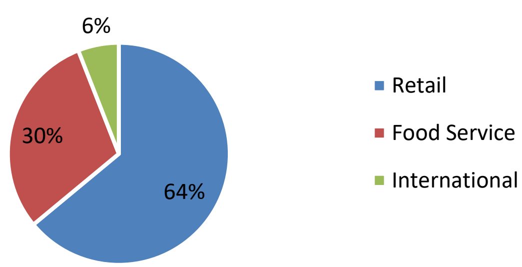


Source: FactSet

Hormel Foods (HRL)

Hormel Foods is a manufacturer and marketer of meat, bean, and snack products headquartered in Austin, Minnesota. The company oversees 51 brands including SPAM, Planters, and Skippy peanut butter. Its brands hold a top two market share in over 40 retail categories, with its Hormel Pepperoni line being the leading retail brand of pepperoni. The company divides its operations into three segments – retail, food service, and international (sales outside the United States, joint ventures, and royalty arrangements). Last fiscal year, 95% of its revenues were generated within the United States.[33]

HRL Revenue Decomposition ($12.1B)

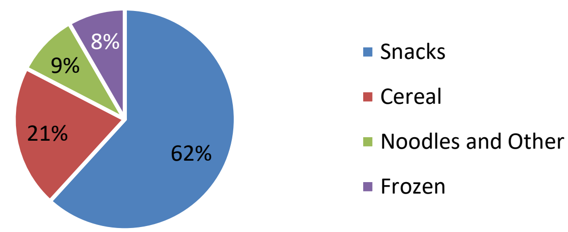


Source: FactSet

Kellanova (K)

Kellanova is a manufacturer, marketer, and distributor of ready-to-eat cereal and convenience foods and is headquartered in Chicago, Illinois. Formerly known as the Kellogg Company, Kellanova oversees 19 brands including Cheez-It, Pop-Tarts, Pringles, and Rice Krispies Treats. In 2023, the company spun off the Kellogg name to oversee its North American cereal division while still operating under the Kellanova umbrella. The company divides its operations into four segments – snacks, cereal, noodles and other, and frozen. Last fiscal year, 50% of its revenues were generated from North America.[34]

K Revenue Decomposition ($13.1B)

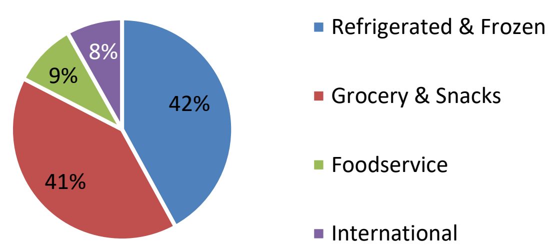


Source: FactSet

Conagra Brands (CAG)

Conagra Brands is a manufacturer and marketer of processed and packaged foods headquartered in Chicago, Illinois. The company oversees more than 100 brands including Slim Jim, Hunts, Marie Callender's, Vlasic, and Orville Redenbacher's. The company also has agreements with P.F. Chang's and Wendy's to retail the restaurant's products through its grocery lines. Conagra divides its operations into four segments -- refrigerated and frozen, grocery and snacks, foodservice, and international. Last fiscal year, 92% of its revenues were generated within the United States.[35]

CAG Revenue Decomposition ($12.3B)

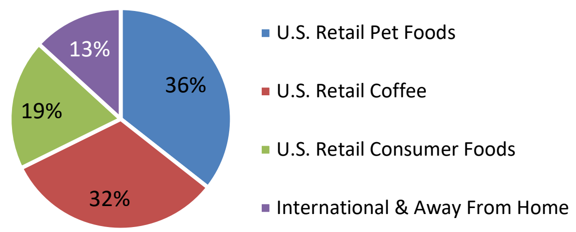


Source: FactSet

J.M. Smucker (SJM)

J.M. Smucker is a manufacturer and marketer of snacks, pet food, and beverages headquartered in Orrville, Ohio. The company oversees 40 brands including Folgers, Jif, Milk-Bone, and Uncrustables. The company has the top market share with at-home coffee, pet snacks, and peanut butter. Additionally, its Uncrustable brand is the number one SKU in frozen snack foods. The company divides its operations into four segments – U.S. retail pet foods, U.S. retail coffee, U.S. retail consumer foods, and international. Last fiscal year, 94% of its revenues were generated within the United States.[36]

SJM Revenue Decomposition ($8.5B)

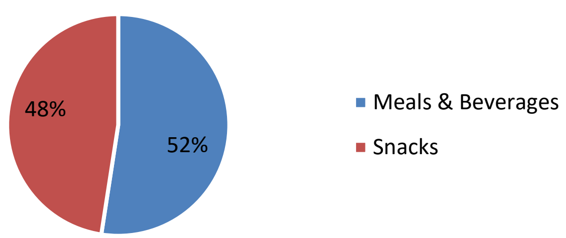


Source: FactSet

Campbell Soup (CPB)

Campbell Soup Co. is a manufacturer and marketer of canned soup, snacks, and beverage products and is headquartered in Camden, New Jersey. The company oversees 24 brands including Campbell's Soup, Prego, V8, Goldfish, and Pepperidge Farm. Four (~17%) of the company's brands have valuations over $1 billion, most recently adding Goldfish in January 2024. The company divides its operations into two segments – meals and beverages and snacks. Last fiscal year, 100% of its revenues were generated within the United States.[37]

CPB Revenue Decomposition ($9.4B)

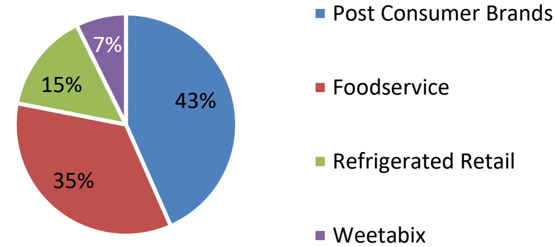


Source: FactSet

Post Holdings (POST)

Post Holdings, Inc. is a consumer-packaged goods that offers a variety of grocery, cereal, and pet products and is headquartered in St. Louis, Missouri. The company oversees 34 brands including Honey Bunches of Oats, Cocoa Pebbles, Peter Pan peanut butter, and Raisin Bran. Since spinning off from Ralcorp Holdings, Inc. in 2012, the company's stock has seen a healthy CAGR of 16% and is one of the biggest players in the cereal industry. The company does not offer a dividend, which is unique for companies in this industry. The company divides its operations into four segments – Post Consumer brands (branded and private-label cereal), Weetabix (business of Weetabix Limited, another cereal company acquired in 2017), foodservice, and refrigerated retail (such as side dishes, eggs, sausage, cheese, and other dairy products). Last fiscal year, 89% of its revenues were generated within the United States.[38]

POST Revenue Decomposition ($7.0B)



Source: FactSet

Peer Comparisons

The following peer comparisons will assess General Mills across a variety of financial, operating, and valuation metrics. As values are representative of current market conditions or the company's last fiscal year end unless otherwise stated.

Financial Metrics

	Sales ($M)	Gross Margin	Oper Margin	Net Margin	Inv Turnover
Kraft Heinz Co.	26,640	34.0%	20.2%	10.7%	4.8
Hormel Foods Corp.	12,110	16.5%	8.8%	6.6%	6.0
Mondelez International	36,016	37.0%	15.7%	13.8%	6.5
Kellanova	13,122	33.5%	12.4%	5.9%	6.8
Conagra Brands Inc.	12,277	26.7%	15.3%	5.6%	4.3
J.M. Smucker	8,529	30.5%	13.5%	~~-1.1%~~	5.7
Campbell Soup	9,357	30.9%	14.6%	9.2%	5.1
Post Holdings, Inc.	6,991	25.1%	9.9%	4.3%	7.8
Avg	**15,630**	**29.3%**	**13.8%**	**8.0%**	**5.9**
General Mills	**20,094**	**33.9%**	**16.8%**	**12.9%**	**6.6**

	Current Ratio	DSO	Debt/Capital	ROA	ROE
Kraft Heinz Co.	1.0	29	29.4%	3.2%	5.8%
Hormel Foods Corp.	1.4	26	30.8%	5.9%	10.4%
Mondelez International	0.6	43	41.5%	7.0%	18.0%
Kellanova	0.7	46	67.3%	4.5%	21.8%
Conagra Brands Inc.	0.8	27	52.0%	3.1%	7.8%
J.M. Smucker	1.4	24	37.8%	~~-0.6%~~	~~-1.2%~~
Campbell Soup	0.9	21	57.6%	7.2%	24.5%
Post Holdings, Inc.	1.8	28	61.9%	2.6%	8.5%
Avg	**1.1**	**31**	**47.3%**	**4.8%**	**13.8%**
General Mills	**0.7**	**36**	**53.6%**	**8.2%**	**24.7%**

Source: FactSet and Company Investor Relations

Based on the following metrics, General Mills and Kraft Heinz appear to be best positioned among their peer group. GIS has some of the highest, and most consistent, margins of any competitor, coupled with an above-average inventory turnover and industry-leading ROA and ROE. Its lower current ratio and higher debt/capital rating do present some potential risks as mentioned previously. Mondelez International is not far behind, with slightly lower profitability ratios but a lower debt/capital ratio. Over the last two years, MDLZ has been the only company in this peer group to provide a positive return to shareholders with a stock price appreciation of 7.24%. General Mills' stock has had the second-best performance of this group (-0.54%), which the Henry Fund believes is still undervalued given the company's strong fundamentals.

Operating Metrics

	5Y CAGR Net Sales	5Y CAGR Oper Income	Dil EPS Growth LFY	FCF Conversion % LFY
Kraft Heinz Co.	0.3%	-1.7%	20.9%	46.8%
Hormel Foods Corp.	4.9%	-1.7%	-20.3%	59.2%
Mondelez International	6.8%	7.9%	84.7%	52.4%
Kellanova	-0.6%	-2.8%	-1.1%	48.4%
Conagra Brands Inc.	9.1%	7.9%	-22.8%	28.2%
J.M. Smucker	3.0%	-1.9%	-114.7%	45.4%
Campbell Soup	1.5%	0.8%	13.5%	44.1%
Post Holdings, Inc.	2.2%	-1.7%	-60.1%	40.5%
Avg	**3.4%**	**0.9%**	**2.1%**	**45.6%**
General Mills	**5.0%**	**4.7%**	**4.4%**	**53.4%**

	Div/Share NFY	Dividend Yield NFY	CapEX LFY	Walmart % of Sales
Kraft Heinz Co.	$1.61	4.4%	$1,013	21%
Hormel Foods Corp.	$1.13	3.3%	$270	16%
Mondelez International	$1.76	2.7%	$1,112	
Kellanova	$2.31	4.2%	$677	28%
Conagra Brands Inc.	$1.39	4.6%	$362	28%
J.M. Smucker	$4.21	3.8%	$477	34%
Campbell Soup	$1.49	3.5%	$370	22%
Post Holdings, Inc.			$303	17%
Avg	**$1.99**	**3.8%**	**$573**	**24%**
General Mills	**$2.36**	**3.5%**	**$690**	**21%**

Source: FactSet and Company Investor Relations
****FCF Conversion = FCF/EBITDA*

Based on the following metrics, General Mills and Mondelez International are best positioned among this peer group. MDLZ and GIS are among three companies to have positive sales, operating income, and EPS growth in recent history, while not having an overly concentrated customer base. Walmart is frequently the largest customer for many food production companies, taking up more than 10% of the company's annual revenues and needing to be reported in their annual filings. Mondelez made no indication of Walmart's contribution to their annual sales in their latest 10-K, implying they are below this threshold. MDLZ does have the highest capital expenditures of any competitor, which is likely driven by the company's significant exposure to international markets. General Mills is also well positioned from an operating perspective, driven by relatively low exposure to Walmart, a strong dividend, and high FCF conversion.

Valuation Metrics

	NFY P/E	P/S	P/CF	EV/EBITDA
Kraft Heinz Co.	12.1	1.7	11.6	10.2
Hormel Foods Corp.	21.6	1.6	15.5	15.4
Mondelez International	19.2	2.6	20.0	15.7
Kellanova	15.8	1.5	12.1	13.0
Conagra Brands Inc.	11.0	1.2	9.1	10.2
J.M. Smucker	12.1	1.6	10.5	12.0
Campbell Soup	14.0	1.4	12.1	10.3
Post Holdings, Inc.	17.1	0.9	8.3	10.5
Avg	**15.4**	**1.6**	**12.4**	**12.2**
General Mills	**16.1**	**2.1**	**14.9**	**13.4**

Source: FactSet and Company Investor Relations

Based on the following metrics, General Mills appears to be overvalued compared to its competitors despite having strong financial and operating statistics. This phenomenon is also present with Mondelez, meaning this is likely driven by each company's price performance over the last two years. Although the selected peer group is very representative of the industry, the Henry Fund does not consider this valuation method entirely credible given General Mills' fundamentals. For a deeper analysis of the company's relative valuation, please refer to the "Valuation Metrics" section below.

Future Outlook

Overall, General Mills should continue to leverage its Accelerate and HMM strategies to continue delivering shareholder value. The company has weathered higher cost inflation relatively well and is positioned to see stronger growth within its pet and U.S. meals and baking solutions segments. While trading at a higher valuation than its peers, its margins, concentration of risk, and operational efficiencies are above average to its peers, which will allow the stock to rebound significantly.

ECONOMIC OUTLOOK

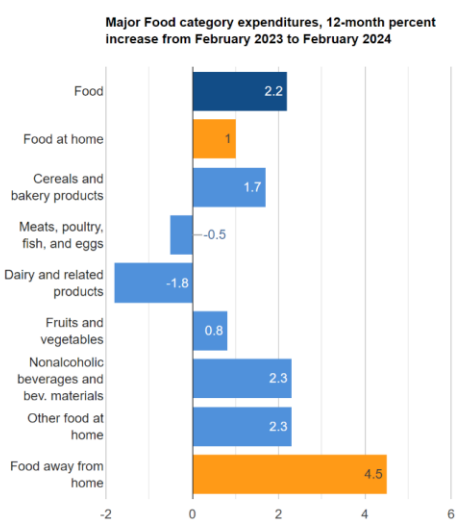
Commodity Futures Prices

As one of the most fundamental inputs to all of General Mills' offerings, commodity prices play a significant role in the cost of their production. Some of these include the price of oats, wheat, soy, and corn in which GIS will enter short-term futures contracts to lock in their value. In the event of high volatility, these contracts can be especially useful, but present risks if not properly hedged against one-direction movements. Due to supply and demand constraints from the Russia-Ukraine war, most commodities rose in price in the summer of last year, directly impacting the company's gross margin. Currently, commodities impacting General Mills sit near pre-pandemic levels and are expected to remain stable over the next 12 months.[39] Crop supplies for corn and soybean are expected to increase by 6.6% in 2024, but extreme weather patterns from El Niño have significantly limited outputs of cocoa, sugar, and wheat.[40] Thus, the Henry Fund remains neutral on the impact of commodity prices on the company's COGS.

Source: Yahoo! Finance

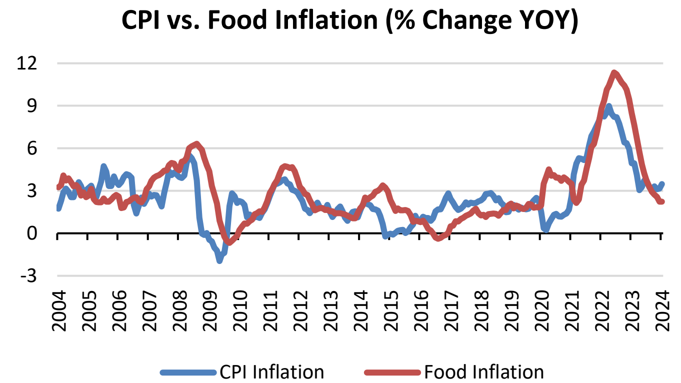
Food Inflation

Often left out of "core" metrics due to its volatility, food inflation is a major driver to the input cost and pricing dynamics of General Mills. While the Consumer Price Index (CPI) measured inflation at 3.2% in February 2024, food inflation has fallen even further to 2.2%. Breaking this metric down further, food at home (grocery purchases) rose only 1.0%, but food away from home (fast food and restaurants) remained sticky at 4.5%, driven by a 280% increase in labor strikes across the economy.[41,42]



Source: US Inflation Calculator (CoinNews Media Group)

This trend benefits General Mills given their product mix, providing an avenue for steady growth within their U.S. meals and baking solutions and U.S. morning foods segments (inflation of only 1.7%). The Henry Fund forecasts the CPI inflation rate to remain steady around 3.1% over the next six months, before lowering to 2.8% in the next two years. Therefore, the team predicts at-home food inflation to remain unchanged in the short term, with food away from home declining in line with CPI.



Source: FRED

Consumer Confidence

In the wake of rising inflation, more conservative consumers have opted for more cost-effective, private-label offerings when compared to brand-name products. While the consumer staples industry is relatively immune to consumer sentiment, a positive correlation still exists with financial performance due to more consumers willing to purchase higher quality, premium products (organic food). The Consumer Confidence Index is a monthly survey that measures consumer's attitudes toward current and expected economic conditions. The survey is considered to have a baseline of 100, with reported values above or below this mark indicating how optimistic or pessimistic Americans are about the economy.[43] Despite future uncertainty, consumer confidence has remained elevated with the increasing likelihood of a soft landing. Expectations remain muted, however, as the forecasted number of rate cuts this year has dropped to only one or two. The Henry Fund believes consumer confidence will remain muted in the short-term, as more economic data concerning real GDP growth, unemployment, and inflation continue to influence the Fed's decisions. General Mills will need to remain cautious in its pricing power against other competitors and continue to be aggressive in its HMM strategies to uphold margins.

Source: The Conference Board

VALUATION

The following valuation uses a seven-year forecast horizon with a continuing value estimation in 2030. Given General Mills' size and industry, a shorter timeframe was utilized given the maturity of several of its product lines. The Henry Fund anticipates its pet segment to provide the most significant growth among its four operating segments, along with a slow divesture from its international operations. Initial forecasts for revenues, expenses, and balance sheet items attempt to closely align with analyst expectations through fiscal year 2026 before applying the ideals of the investment thesis.

Revenue Forecasts

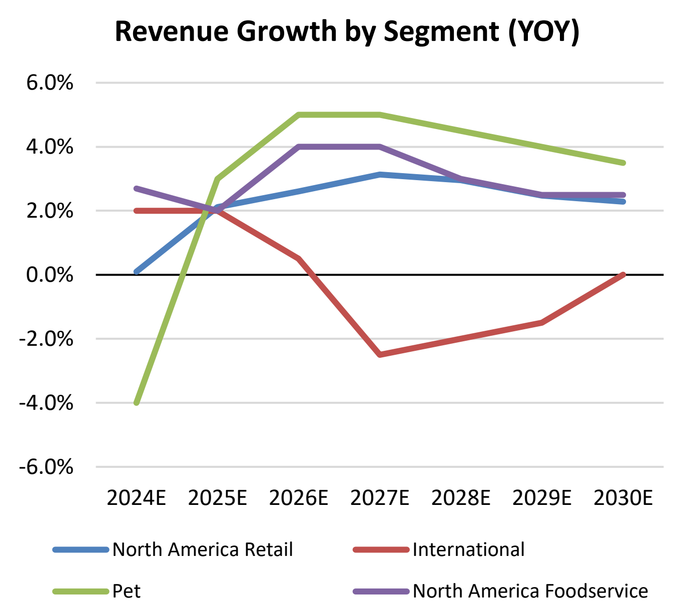
As the company's oldest and largest operating segment, North American Retail is expected to steadily grow in line with macroeconomic activity. In recent years, U.S. snacks have seen the strongest growth, achieving double-digit expansion in the last fiscal year. However, the Henry Fund anticipates this will retract in 2024 due to price competitiveness and volume constraints, before leveling out at a growth rate of 2-3%. Growth among morning foods will continue to remain steady, complemented by 2-4% growth in U.S. meals and baking solutions from a growing market share and product innovation in its Pillsbury and Betty Crocker lines.

The company's international segment has faced difficulties over the last two years, and the Henry Fund expects this trend to continue. While positive growth is expected in the short term due to continued momentum in its European and Australian markets, geopolitical tensions in China are likely to persist, limiting this segment's growth over the long term. The Henry Fund anticipates General Mills will prioritize its attention on Western countries, looking to leverage its brand recognition through its most successful brands.

The pet segment presents a unique opportunity for the company to diversify its revenues and stand out from competitors. Since acquiring Blue Buffalo in 2018, its pet segment has seen rapid growth on the back of the COVID-19 pandemic. Furthermore, the company has made three additional acquisitions in recent years to expand its product line of treats. Management has noted this segment is the primary focus for advertising and product innovation, and as a result, the Henry Fund forecasts upwards of 5% annual growth in 2026-27.

North America Foodservice, the company's smallest operating segment, has seen the strongest overall growth in the last two years due to the reopening of the pandemic. Going forward, the Henry Fund anticipates this growth to be stable at 2-4%, peaking in 2026-27 due to higher economic and restaurant activity. As mentioned above in the industry trends, the costs of eating out are greatly outpacing that of grocery products, which could bring headwinds to this segment's upside. Thus, this segment's long-term growth will be minimal at 2.5% to reflect the cost of inflation.

The following chart shows the company's revenue growth by segment through its continuing value year in 2030.



Source: Henry Fund Estimates

Costs and Expenses

As mentioned previously, the company's HMM system has allowed the company to reasonably hedge against input cost volatility and generate greater supply chain efficiency to outperform its competitors. As cost inflation begins to normalize, gross margins should begin to return to pre-pandemic levels of roughly 38% by 2026. Furthermore, last fiscal year, the company made over a 10% increase in its annual investment in internal technologies to expand the use of analytics in its supply chain, customer marketing, and data collection. This should provide greater long-term efficiencies in its operations, helping steady out its COGS and SG&A at roughly 62% and 17% of revenues, respectively. On the other hand, these investments will increase its annual restructuring, impairment, and exit costs as they are primarily driven by adjustments to its supply chain. However, these increases will have a minimal impact on bottom-line profitability and will peak at 1% of revenues in perpetuity.

Balance Sheet and Capital Structure

Over 64% of the company's tangible assets are in the form of property, plant, and equipment and inventory. Capital expenditures have annually been roughly 3-4% of sales, which the Henry Fund believes will continue. However, inventory and accounts receivable levels have been relatively volatile due to the pandemic. Analysts have recently criticized General Mills for holding too much inventory, growing from $1.4 billion in 2020 to $2.2 billion in 2023. This has also resulted in a higher level of accounts payable, lowering the company's current ratio below 1.0. However, data from the current fiscal year has indicated that inventory will decline near 2021 levels at $1.86 billion. Given this data, the Henry Fund believes that General Mills' supply chain is in a solid position and will maintain an inventory in line with pre-pandemic levels at 9.2% of revenues. Analysts are predicting the company's level of accounts payable will remain elevated due to higher input costs, but steadily decline to 19% of revenues by the continuing value year.

Other notable forecasts from the company's balance sheet include its capital structure and underfunded pensions. As mentioned previously regarding the company's debt maturity schedule, General Mills operates with a higher level of debt than its competitors. While the company's debt rating is still considered investment grade at BBB,[16] analysts should continue to monitor its debt levels in relation to its liquidity. Driven by rising cash balances and a disciplined management team, the Henry Fund anticipates General Mills' debt-to-equity ratio will decline from 1.94 to 1.37 by the continuing value year. Additionally, General Mills' postretirement pensions are currently underfunded by $305 million. While this level has been decreasing in recent years, it will provide less non-service income in future years. The Henry Fund has forecasted its level of underfunded pensions to amortize to 0 by the continuing value year given its obligations to fulfill this deficit.

Payout Policy

One of General Mills' most favorable qualities as an investor is its commitment to returning funds to its shareholders. The company has one of the longest-running and most attractive dividends in the industry, recently announcing in August 2023 that it will increase this year's by twenty cents to $2.36 in 2024. Historically, the company's dividend has risen by four to eight cents per year, which the Henry Fund believes will continue. The company also has a consistent history of performing stock repurchases, making over $2.28 billion worth in the last two years. Management has indicated a long-term plan to reduce its annual share count by 1-2% per year, which roughly translates to $500 million to $1 billion per year. In the first nine months of its current fiscal year, the company has already completed over $1.6 billion in stock repurchases, which the Henry Fund believes will stabilize in the fourth quarter, resulting in a total of $1.7 billion for the fiscal year.

WACC

The Henry Fund arrived at the company's cost of equity using the 10-year YTM on Treasury bonds for the risk-free rate of 4.25%, an industry beta of 0.61, and an equity risk premium of 5.00%. An industry beta was selected to reflect its current stock price more accurately.[44] The pre-tax cost of debt was referenced from Bloomberg utilizing its proprietary new issuance framework. Equity market values and all sources of debt from the company's balance sheet were utilized for its weights, before arriving at the weighted average cost of capital of 6.58%.

Valuation Metrics

Using the above forecasts, the team arrived at an intrinsic value of $84.79 per share using the discounted cash flow

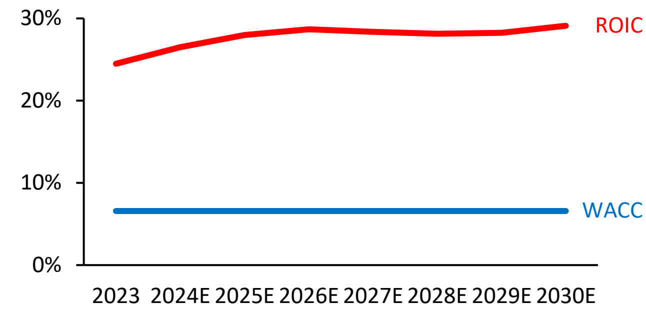
(DCF) and economic profit (EP) methods, over a 20% upside from the current price. Key assumptions from this model resulted in the company's FCF growing at a CAGR of 7.2%, a continuing value growth of NOPLAT at 2.5%, and a continuing value ROIC of 29.1%.

The Dividend Discount Model (DDM) is primarily based on extending management's payout policy, with a continuing value growth of EPS at 2.5% and a continuing value ROE of 18.8%. This resulted in an intrinsic value of $78.92 per share, an upside of 11.8% from the current share price. Finally, a relative valuation was conducted using eight of General Mills' most comparable competitors, resulting in an average intrinsic value of $58.63 per share.

Stable growth within North American retail, an expanding pet segment, and continued cost savings will be the biggest drivers for growth going forward. Although General Mills appears overvalued to its peers, it is sustainable given the company's scale, profitability, and operating metrics. Among its peers, Mondelez International provides the best single comparison to General Mills given its margins, market capitalization, inventory turnover, ROA, and ROE. Mondelez also trades at a premium compared to its competitors, and when valued based on its financials alone, General Mills has a relative valuation between $80 and $84 per share.

The Henry Fund believes the DCF/EP and DDM models are most representative of the stock given the company's long-term growth potential and recognition of future cash flows. The integration of the company's pet segment provides additional upside that several other firms in the industry fail to possess. Further, its cost management system has proven its ability to weather economic uncertainty, allowing the company to continually return cash to shareholders in the form of dividends and stock repurchases. Thus, the team believes both models are equally valuable, resulting in an average intrinsic value of $82 per share. Furthermore, a consistently high NOPLAT with stable levels of invested capital will help maintain an ROIC well above 25%. Below is a summary of the Henry Fund's forecast for General Mills' ROIC when compared to its WACC.

General Mills' consistently generates shareholder value



Source: Henry Fund Estimates

Sensitivity Testing

As a final check of the strength of the model, several sensitivity tests were conducted on various operating and valuation assumptions that could exude significant variance going forward. Overall, the model is very stable, with an average interquartile range between $79.44 and $90.75, a minimum price of $68.92, and a maximum price of $105.30.

The most volatile sensitivity test occurred between the company's beta and equity risk premium. As mentioned previously, an industry beta of 0.61 was utilized to represent the company's valuation more accurately.[44] Over the last five years, the company has experienced a beta between -0.13 and 0.17, showing virtually no correlation with the rest of the market.[45] As a result, if these values were applied, the company's cost of equity was simply the risk-free rate according to the CAPM, implying that the company's equity is comparable in risk to the U.S. government. Certainly, this is unrealistic for any publicly traded equity, and the food processing industry beta was applied as a substitute.[44]

		Beta						
Equity Risk Premium	84.79	0.46	0.51	0.56	0.61	0.66	0.71	0.76
	4.70%	105.30	99.11	93.52	88.44	83.80	79.56	75.66
	4.80%	104.04	97.85	92.26	87.19	82.58	78.35	74.46
	4.90%	102.80	96.61	91.04	85.98	81.38	77.16	73.30
	5.00%	101.59	95.41	89.84	84.79	80.21	76.01	72.16
	5.10%	100.40	94.22	88.66	83.64	79.06	74.88	71.05
	5.20%	99.23	93.06	87.52	82.50	77.94	73.78	69.97
	5.30%	98.09	91.93	86.40	81.39	76.85	72.71	68.92

Source: Henry Fund Estimates

Despite analysts' reactions, major adjustments to the company's level of inventories and accounts payable do not have a significant impact on the company's intrinsic value. To test these line items more strenuously, a delta of

-3% to 3% was applied to each year's forecast. Even in the worst-case scenario when inventories rise as high as 12.3% and accounts payables decline to as low as 18.7% of sales, the company's value is still above $81 per share, indicating that the company is fundamentally very efficient, thereby generating a high level of ROIC.

A/P Delta	84.79	-3.0%	-2.0%	-1.0%	0.0%	1.0%	2.0%	3.0%
		Inventory Delta						
	-3.0%	84.80	84.26	83.72	83.19	82.65	82.11	81.58
	-2.0%	85.33	84.80	84.26	83.72	83.19	82.65	82.11
	-1.0%	85.87	85.33	84.80	84.26	83.72	83.18	82.65
	0.0%	86.40	85.87	85.33	84.79	84.26	83.72	83.18
	1.0%	86.94	86.40	85.87	85.33	84.79	84.26	83.72
	2.0%	87.48	86.94	86.40	85.87	85.33	84.79	84.26
	3.0%	88.01	87.48	86.94	86.40	85.87	85.33	84.79

Source: Henry Fund Estimates

KEYS TO MONITOR

Going forward, the company's ability to generate cost savings through its HMM program, improve supply chain efficiency, and grow its pet segment will be crucial. Price pressures from competitors make it difficult to generate significant topline growth, requiring the company to effectively manage cost inflation and its inventory levels. The company's strong brand recognition and stable product line will allow it to weather most economic headwinds but may fall behind during times of economic expansion.

Commodity prices, private-label brands, and geopolitical tensions and the biggest external threats to the company's success. While some of these factors are outside of management's control, it will be imperative that they continue to hedge these risks through a diversified revenue stream and derivative contracts. Higher debt levels and lower liquidity put the company at risk of losing its investment-grade status, potentially requiring the company to be more conservative in its payout policy.

Overall, the company's future remains bright given its strong brand recognition and ability to return cash to shareholders. General Mills is a household name that oversees brands with an impact on almost everyone's life. This factor, along with the company's size and longstanding history provides the stock with a significant upside, thus resulting in a **BULLISH** outlook.

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General Mills, Inc.

Revenue Decomposition

Fiscal Years Ending May 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Net Sales by Segment										
North America Retail										
U.S. Meals & Baking Solutions	4042	4024	4426	4484	4596	4725	4914	5086	5225	5356
growth	*4.5%*	*-0.5%*	*10.0%*	*1.3%*	*2.5%*	*2.8%*	*4.0%*	*3.5%*	*2.8%*	*2.5%*
U.S. Morning Foods	3314	3371	3620	3602	3656	3729	3841	3956	4055	4157
growth	*0.7%*	*1.7%*	*7.4%*	*-0.5%*	*1.5%*	*2.0%*	*3.0%*	*3.0%*	*2.5%*	*2.5%*
U.S. Snacks	2941	3191	3611	3539	3610	3718	3811	3906	3994	4074
growth	*0.7%*	*8.5%*	*13.1%*	*-2.0%*	*2.0%*	*3.0%*	*2.5%*	*2.5%*	*2.3%*	*2.0%*
Canada	953	986	1003	1048	1079	1106	1128	1151	1174	1191
growth	*6.3%*	*3.4%*	*1.7%*	*4.5%*	*3.0%*	*2.5%*	*2.0%*	*2.0%*	*2.0%*	*1.5%*
North America Retail	**11250**	**11572**	**12660**	**12672**	**12941**	**13278**	**13694**	**14099**	**14448**	**14778**
growth	*2.5%*	*2.9%*	*9.4%*	*0.1%*	*2.1%*	*2.6%*	*3.1%*	*3.0%*	*2.5%*	*2.3%*
International	**3657**	**3316**	**2770**	**2825**	**2881**	**2896**	**2823**	**2767**	**2725**	**2725**
growth	*8.7%*	*-9.3%*	*-16.5%*	*2.0%*	*2.0%*	*0.5%*	*-2.5%*	*-2.0%*	*-1.5%*	*0.0%*
Pet	**1732**	**2259**	**2473**	**2374**	**2446**	**2568**	**2696**	**2818**	**2930**	**3033**
growth	*2.2%*	*30.4%*	*9.5%*	*-4.0%*	*3.0%*	*5.0%*	*5.0%*	*4.5%*	*4.0%*	*3.5%*
North America Foodservice	**1488**	**1846**	**2192**	**2251**	**2296**	**2388**	**2483**	**2558**	**2621**	**2687**
growth	*-6.4%*	*24.1%*	*18.7%*	*2.7%*	*2.0%*	*4.0%*	*4.0%*	*3.0%*	*2.5%*	*2.5%*
Total Net Sales	**18127**	**18993**	**20094**	**20122**	**20563**	**21129**	**21696**	**22241**	**22725**	**23223**
growth	*2.8%*	*4.8%*	*5.8%*	*0.1%*	*2.2%*	*2.8%*	*2.7%*	*2.5%*	*2.2%*	*2.2%*

% of Total	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
North America Retail	62.1%	60.9%	63.0%	63.0%	62.9%	62.8%	63.1%	63.4%	63.6%	63.6%
International	20.2%	17.5%	13.8%	14.0%	14.0%	13.7%	13.0%	12.4%	12.0%	11.7%
Pet	9.6%	11.9%	12.3%	11.8%	11.9%	12.2%	12.4%	12.7%	12.9%	13.1%
North America Foodservice	8.2%	9.7%	10.9%	11.2%	11.2%	11.3%	11.4%	11.5%	11.5%	11.6%
Total Net Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Geographic Breakdown	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
United States	13497	14691	16322	16299	16451	16903	17574	18237	18635	19043
Non-United States	4630	4302	3772	3823	4113	4226	4122	4003	4091	4180
Total Net Sales	**18127**	**18993**	**20094**	**20122**	**20563**	**21129**	**21696**	**22241**	**22725**	**23223**
United States	74.5%	77.4%	81.2%	81.0%	80.0%	80.0%	81.0%	82.0%	82.0%	82.0%
Non-United States	25.5%	22.6%	18.8%	19.0%	20.0%	20.0%	19.0%	18.0%	18.0%	18.0%
Total Net Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Product Line Breakdown	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Snacks	3574	3961	4432	4387	4519	4654	4817	4962	5086	5213
growth	*1.3%*	*10.8%*	*11.9%*	*-1.0%*	*3.0%*	*3.0%*	*3.5%*	*3.0%*	*2.5%*	*2.5%*
Cereal	2869	2998	3210	3193	3321	3454	3558	3647	3738	3831
growth	*-0.2%*	*4.5%*	*7.1%*	*-0.5%*	*4.0%*	*4.0%*	*3.0%*	*2.5%*	*2.5%*	*2.5%*
Convenient Meals	3030	2989	2962	2932	2961	3021	3051	3081	3112	3143
growth	*7.7%*	*-1.4%*	*-0.9%*	*-1.0%*	*1.0%*	*2.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*
Pet	1732	2260	2476	2377	2448	2571	2699	2821	2934	3036
growth	*2.2%*	*30.5%*	*9.6%*	*-4.0%*	*3.0%*	*5.0%*	*5.0%*	*4.5%*	*4.0%*	*3.5%*
Dough	1866	1986	2391	2486	2511	2561	2638	2717	2799	2883
growth	*3.6%*	*6.4%*	*20.3%*	*4.0%*	*1.0%*	*2.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*
Baking mixes and ingredients	1696	1844	2037	2180	2267	2335	2405	2477	2552	2615
growth	*1.3%*	*8.7%*	*10.5%*	*7.0%*	*4.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*2.5%*
Yogurt	2075	1715	1473	1414	1372	1330	1297	1265	1239	1215
growth	*0.9%*	*-17.3%*	*-14.1%*	*-4.0%*	*-3.0%*	*-3.0%*	*-2.5%*	*-2.5%*	*-2.0%*	*-2.0%*
Super-premium ice cream	820	782	704	690	683	676	676	689	703	717
growth	*14.1%*	*-4.6%*	*-10.0%*	*-2.0%*	*-1.0%*	*-1.0%*	*0.0%*	*2.0%*	*2.0%*	*2.0%*
Other	465	458	411	463	481	527	555	582	563	569
growth	*0.3%*	*-1.5%*	*-10.3%*	*12.6%*	*4.0%*	*9.4%*	*5.4%*	*4.8%*	*-3.2%*	*1.1%*
Total Net Sales	**18127**	**18993**	**20094**	**20122**	**20563**	**21129**	**21696**	**22241**	**22725**	**23223**
Snacks	19.7%	20.9%	22.1%	21.8%	22.0%	22.0%	22.2%	22.3%	22.4%	22.4%
Cereal	15.8%	15.8%	16.0%	15.9%	16.2%	16.3%	16.4%	16.4%	16.4%	16.5%
Convenient Meals	16.7%	15.7%	14.7%	14.6%	14.4%	14.3%	14.1%	13.9%	13.7%	13.5%
Pet	9.6%	11.9%	12.3%	11.8%	11.9%	12.2%	12.4%	12.7%	12.9%	13.1%
Dough	10.3%	10.5%	11.9%	12.4%	12.2%	12.1%	12.2%	12.2%	12.3%	12.4%
Baking mixes and ingredients	9.4%	9.7%	10.1%	10.8%	11.0%	11.1%	11.1%	11.1%	11.2%	11.3%
Yogurt	11.4%	9.0%	7.3%	7.0%	6.7%	6.3%	6.0%	5.7%	5.5%	5.2%
Super-premium ice cream	4.5%	4.1%	3.5%	3.4%	3.3%	3.2%	3.1%	3.1%	3.1%	3.1%
Other	2.6%	2.4%	2.0%	2.3%	2.3%	2.5%	2.6%	2.6%	2.5%	2.5%
Total Net Sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

General Mills, Inc.
Income Statement

Fiscal Years Ending May 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Net sales	**18,127**	**18,993**	**20,094**	**20,122**	**20,563**	**21,129**	**21,696**	**22,241**	**22,725**	**23,223**
Cost of sales	11,077	12,020	13,002	12,697	12,852	13,121	13,473	13,789	14,090	14,398
Depreciation and Amortization	601	570	547	555	591	616	656	693	721	748
Selling, general & administrative expenses	3,080	3,147	3,500	3,381	3,434	3,550	3,645	3,759	3,841	3,948
Divestitures gain (loss), net	(54)	194	445	-	-	-	-	-	-	-
Restructuring, impairment, & other exit costs (recoveries)	170	(27)	56	61	123	158	174	222	227	232
Operating profit	**3,145**	**3,476**	**3,434**	**3,429**	**3,562**	**3,683**	**3,749**	**3,777**	**3,847**	**3,897**
Benefit plan non-service income	133	113	89	57	49	41	33	24	16	8
Interest, net	(420)	(380)	(382)	(374)	(364)	(340)	(374)	(363)	(376)	(360)
EBT & A-T earnings from joint ventures	**2,857**	**3,210**	**3,141**	**3,111**	**3,247**	**3,384**	**3,407**	**3,439**	**3,487**	**3,545**
Income taxes	629	586	612	700	731	761	767	774	785	798
A-T earnings (losses) from joint ventures	118	112	81	124	122	120	121	122	124	126
Net earnings (loss), including noncontrolling interests	2,346	2,735	2,610	2,536	2,638	2,743	2,762	2,787	2,826	2,874
Net earnings (loss) attributable to noncontrolling interests	(6)	(28)	(16)	(13)	(13)	(21)	(28)	(28)	(28)	(29)
Net earnings attributable to General Mills	**2,340**	**2,707**	**2,594**	**2,523**	**2,625**	**2,722**	**2,734**	**2,759**	**2,798**	**2,845**
Weighted average shares outstanding - basic	614.1	607.5	594.8	575.6	560.5	551.6	540.1	530.4	525.7	524.3
Year end shares outstanding	607.7	598.9	586.6	564.6	556.4	546.7	533.6	527.1	524.3	524.3
Net earnings (loss) per share - basic	$3.81	$4.46	$4.36	$4.38	$4.68	$4.94	$5.06	$5.20	$5.32	$5.43
Dividends per share	$2.02	$2.04	$2.16	$2.36	$2.45	$2.50	$2.56	$2.60	$2.64	$2.66

General Mills, Inc.
Balance Sheet

Fiscal Years Ending May 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
ASSETS										
Current Assets										
Cash & cash equivalents	1,505	569	586	449	298	1,894	1,895	3,048	3,884	6,901
Accounts receivables, less allowance for doubtful accounts	1,639	1,692	1,683	1,670	1,707	1,743	1,779	1,813	1,841	1,881
Inventories	1,821	1,867	2,172	1,861	1,892	1,944	1,985	2,035	2,079	2,113
Marketable investments	360	250	117	123	129	136	142	150	157	165
Derivative receivables	38	86	45	47	50	52	55	58	60	63
Assets held for sale	-	159	-	-	-	-	-	-	-	-
Prepaid expenses & other current assets	393	466	573	476	486	499	513	526	537	549
Total current assets	**5,755**	**5,090**	**5,176**	**4,627**	**4,562**	**6,268**	**6,370**	**7,629**	**8,559**	**11,672**
Land, buildings, & equipment	3,607	3,394	3,636	3,815	3,977	4,164	4,332	4,507	4,672	4,853
Goodwill	14,062	14,379	14,511	14,434	14,434	14,434	14,434	14,434	14,434	14,434
Other intangible assets	7,151	7,000	6,968	6,948	6,928	6,908	6,888	6,868	6,524	6,181
Right of use operating lease assets	379	337	340	357	372	389	405	421	437	454
Other assets	889	891	820	861	904	950	997	1,047	1,099	1,154
Total assets	**31,842**	**31,090**	**31,452**	**31,041**	**31,177**	**33,112**	**33,426**	**34,905**	**35,725**	**38,748**
LIABILITIES AND STOCKHOLDERS' EQUITY										
LIABILITIES										
Current Liabilities										
Accounts payable	3,654	3,982	4,194	3,994	4,051	4,120	4,187	4,270	4,341	4,412
Current portion of long-term debt	2,464	1,674	1,709	1,709	801	1,680	1,179	1,400	812	2,250
Notes payable	361	811	32	42	107	175	246	321	412	420
Accrued trade & consumer promotions	581	474	454	581	596	613	629	645	659	673
Accrued payroll	434	436	427	448	458	471	483	496	506	518
Current portion of operating lease liabilities	111	107	102	106	111	116	120	125	130	135
Dividends payable	24	25	23	30	29	29	29	29	30	30
Other current liabilities	637	510	595	625	656	689	723	759	797	837
Total current liabilities	**8,266**	**8,020**	**7,536**	**7,535**	**6,808**	**7,892**	**7,598**	**8,045**	**7,686**	**9,276**
Long-term debt	9,787	9,135	9,965	9,634	9,724	9,831	9,930	10,032	10,027	10,029
Deferred income taxes	2,118	2,218	2,111	2,134	2,159	2,184	2,209	2,235	2,261	2,288
Accured compensation & benefits	221	214	204	221	226	232	238	244	250	255
Underfunded pensions	487	147	305	262	218	174	131	87	44	-
Non-current portion of operating lease liabilities	283	248	257	267	279	292	304	316	328	340
Other liabilities	302	320	373	351	358	368	378	388	396	405
Total liabilities	**21,464**	**20,302**	**20,752**	**20,404**	**19,772**	**20,974**	**20,788**	**21,348**	**20,992**	**22,593**
Redeemable interest	605	-	-	-	-	-	-	-	-	-
STOCKHOLDERS' EQUITY										
Common Equity	1,441	1,258	1,298	1,417	1,536	1,655	1,774	1,893	1,963	1,963
Retained earnings	17,070	18,533	19,839	21,029	22,291	23,647	25,015	26,404	27,818	29,268
Common stock in treasury, at cost	(6,611)	(7,278)	(8,410)	(9,770)	(10,370)	(11,090)	(12,050)	(12,610)	(12,890)	(12,890)
Accumulated other comprehensive income (loss)	(2,429)	(1,971)	(2,277)	(2,277)	(2,277)	(2,277)	(2,277)	(2,277)	(2,277)	(2,277)
Total stockholders' equity	9,470	10,542	10,450	10,399	11,180	11,935	12,462	13,409	14,613	16,064
Noncontrolling interests	303	246	250	238	225	204	176	148	120	91
Total equity	**9,773**	**10,788**	**10,700**	**10,637**	**11,405**	**12,139**	**12,638**	**13,558**	**14,734**	**16,155**
Total liabilities and equity	**31,842**	**31,090**	**31,452**	**31,041**	**31,177**	**33,112**	**33,426**	**34,905**	**35,725**	**38,748**

General Mills, Inc.
Historical Cash Flow Statement

Fiscal Years Ending May 31	2017	2018	2019	2020	2021	2022	2023
Cash flows from operating activities:							
Net earnings (losses), including noncontrolling interests	1,701	2,163	1,786	2,211	2,346	2,735	2,610
Depreciation & amortization	604	619	620	595	601	570	547
After-tax loses (earnings) from joint ventures	(85)	(85)	(72)	(91)	(118)	(112)	(81)
Distributions of losses (earnings) from joint ventures	76	113	87	77	95	108	70
Stock-based compensation	96	77	85	95	90	99	112
Deferred income taxes	184	(504)	94	(30)	119	62	(22)
Pension & other postretirement benefit plan contributions	(45)	(32)	(29)	(31)	(33)	(31)	(30)
Pension & other postretirement benefit plan cost (income)	36	5	6	(32)	(34)	(30)	(28)
Divestitures loss (gain)	14	-	30	-	54	(194)	(445)
Restructuring, impairment, & other exit costs (recoveries)	117	126	236	44	151	(117)	24
Other income adjustments, net	-	(183)	(28)	46	(132)	(51)	71
Changes in current assets & liabilities, excluding effects of acquisitions & divestitures	(232)	-	-	-	(156)	277	(49)
Other operating activities, net	(86)	-	-	-	-	-	-
Net cash flows from operating activities	**2,377**	**2,299**	**2,815**	**2,882**	**2,983**	**3,316**	**2,779**
Cash flows from investing activities:							
Purchases of land, buildings & equipment	(684)	(623)	(538)	(461)	(531)	(569)	(690)
Acquisitions, net of cash acquired	-	(8,036)	-	-	-	(1,201)	(252)
Disposition of (investments in) affiliates, net	3	(17)	0	(48)	16	15	(32)
Proceeds from disposal of land, buildings & equipment	4	1	14	2	3	3	1
Proceeds from divestitures, net of cash divested	18	-	26	-	3	74	633
Exchangeable note	13	-	-	-	-	-	-
Other investing activities, net	(1)	(11)	(60)	21	(3)	(14)	(8)
Net cash flows from investing activities	**(647)**	**(8,685)**	**(557)**	**(486)**	**(513)**	**(1,691)**	**(346)**
Cash flows from financing activities							
Change in notes payable	962	328	(66)	(1,159)	72	551	(769)
Issuance of long-term debt	1,072	6,550	339	1,638	1,577	2,204	2,324
Payment of long-term debt	(1,000)	(600)	(1,494)	(1,397)	(2,609)	(3,141)	(1,422)
Debt exchange participation incentive cash payment	-	-	-	-	(201)	-	-
Proceeds from common stock issued on exercised options	113	99	241	263	74	162	232
Proceeds from common stock issued	-	970	-	-	-	-	-
Purchases of common stock for treasury	(1,652)	(602)	(1)	(3)	(301)	(877)	(1,404)
Dividends paid	(1,135)	(1,140)	(1,182)	(1,196)	(1,246)	(1,245)	(1,288)
Investment in redeemable interest	-	-	56	-	-	-	-
Distributions to noncontrolling & redeemable interest holders	(61)	(52)	(39)	(73)	(49)	(130)	(16)
Other financing activities, net	(9)	(108)	(31)	(16)	(31)	(28)	(63)
Net cash flows from financing activities	**(1,710)**	**5,446**	**(2,176)**	**(1,942)**	**(2,716)**	**(2,503)**	**(2,404)**
Effect of exchange rate changes on cash & cash equivalents	(19)	32	(23)	(21)	73	(58)	(12)
Increase (decrease) in cash & cash equivalents	2	(909)	58	434	(173)	(936)	16
Cash & cash equivalents - beginning of year	764	766	399	450	1,678	1,505	569
Cash & cash equivalents - end of year	**766**	**(143)**	**457**	**884**	**1,505**	**569**	**586**

General Mills, Inc.

Forecasted Cash Flow Statement

Fiscal Years Ending May 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Cash flows from operating activities:							
Net Earnings	2,523	2,625	2,722	2,734	2,759	2,798	2,845
Adjustments to reconcile Net Earnings (Loss)							
Depreciation and Amortization	555	591	616	656	693	721	748
Deferred Income Taxes	23	24	25	26	26	26	27
Changes in working capital accounts:							
Changes in acounts receivables	13	(37)	(36)	(36)	(34)	(28)	(40)
Changes in inventories	311	(31)	(52)	(41)	(50)	(44)	(34)
Changes in prepaid expenses & other current assets	98	(10)	(13)	(13)	(13)	(11)	(12)
Changes in ROU leases	(17)	(15)	(17)	(16)	(16)	(15)	(17)
Changes in accounts payable	(200)	57	69	67	83	70	72
Changes in accrued trade & consumer promotions	127	15	16	16	16	14	14
Changes in accrued payroll	22	10	13	13	12	11	11
Changes in dividends payable	7	(1)	(0)	0	0	0	0
Changes in accured compensation & benefits	17	5	6	6	6	5	5
Changes in other liabilities	(23)	8	10	10	9	8	9
Net cash flows from operating activities	**3,455**	**3,242**	**3,359**	**3,422**	**3,492**	**3,555**	**3,628**
Cash flows from investing activities:							
Capital Expenditures	(733)	(754)	(803)	(824)	(867)	(886)	(929)
Acquisitions, net of cash acquired	78	-	-	-	-	-	-
Capitalization of Intangibles	20	20	20	20	20	343	343
Changes in marketable investments	(6)	(6)	(6)	(7)	(7)	(7)	(8)
Changes in derivative receivables	(2)	(2)	(2)	(3)	(3)	(3)	(3)
Changes in other assets	(41)	(43)	(45)	(47)	(50)	(52)	(55)
Net cash flows from investing activities	**(685)**	**(786)**	**(837)**	**(861)**	**(907)**	**(606)**	**(651)**
Cash flows from financing activities:							
Changes in current portion of long-term debt	0	(909)	880	(501)	221	(588)	1,438
Changes in notes payable	10	65	68	71	75	91	9
Changes in current portion of operating lease liabilities	4	5	5	5	5	5	5
Changes in other current liabilities	30	31	33	34	36	38	40
Changes in long-term debt	(331)	90	107	98	103	(5)	2
Changes in underfunded pensions	(44)	(44)	(44)	(44)	(44)	(44)	(44)
Changes in non-current portion of operating lease liabilities	10	11	13	12	12	12	13
Stock repurchases, net of stock compensation	(1,360)	(600)	(720)	(960)	(560)	(280)	-
Changes in common stock	119	119	119	119	119	70	-
Dividends paid	(1,332)	(1,363)	(1,367)	(1,366)	(1,371)	(1,384)	(1,395)
Changes in noncontrolling interests	(13)	(13)	(21)	(28)	(28)	(28)	(29)
Net cash flows from financing activities	**(2,907)**	**(2,607)**	**(926)**	**(2,559)**	**(1,432)**	**(2,114)**	**40**
Net increase (decrease) in cash and cash equivalents	**(136)**	**(151)**	**1,596**	**2**	**1,153**	**836**	**3,016**
Cash and cash equivalents at beginning of period	586	449	298	1,894	1,895	3,048	3,884
Cash & cash equivalents at end of period	**449**	**298**	**1,894**	**1,895**	**3,048**	**3,884**	**6,901**

General Mills, Inc.
Common Size Income Statement

Fiscal Years Ending May 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	61.1%	63.3%	64.7%	63.1%	62.5%	62.1%	62.1%	62.0%	62.0%	62.0%
Gross Margin	**38.9%**	**36.7%**	**35.3%**	**36.9%**	**37.5%**	**37.9%**	**37.9%**	**38.0%**	**38.0%**	**38.0%**
Depreciation and Amortization	3.3%	3.0%	2.7%	2.8%	2.9%	2.9%	3.0%	3.1%	3.2%	3.2%
Selling, general & administrative expenses	17.0%	16.6%	17.4%	16.8%	16.7%	16.8%	16.8%	16.9%	16.9%	17.0%
Divestitures gain (loss), net	-0.3%	1.0%	2.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Restructuring, impairment, & other exit costs (recoveries)	0.9%	-0.1%	0.3%	0.3%	0.6%	0.8%	0.8%	1.0%	1.0%	1.0%
Operating margin	**17.3%**	**18.3%**	**17.1%**	**17.0%**	**17.3%**	**17.4%**	**17.3%**	**17.0%**	**16.9%**	**16.8%**
Benefit plan non-service income	0.7%	0.6%	0.4%	0.3%	0.2%	0.2%	0.2%	0.1%	0.1%	0.0%
Interest, net	-2.3%	-2.0%	-1.9%	-1.9%	-1.8%	-1.6%	-1.7%	-1.6%	-1.7%	-1.5%
EBT & A-T earnings from joint ventures	15.8%	16.9%	15.6%	15.5%	15.8%	16.0%	15.7%	15.5%	15.3%	15.3%
Income taxes	3.5%	3.1%	3.0%	3.5%	3.6%	3.6%	3.5%	3.5%	3.5%	3.4%
A-T earnings (losses) from joint ventures	0.6%	0.6%	0.4%	0.6%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%
Net earnings (loss), including noncontrolling interests	12.9%	14.4%	13.0%	12.6%	12.8%	13.0%	12.7%	12.5%	12.4%	12.4%
Net earnings (loss) attributable to noncontrolling interests	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Net earnings attributable to General Mills (Net Margin)	**12.9%**	**14.3%**	**12.9%**	**12.5%**	**12.8%**	**12.9%**	**12.6%**	**12.4%**	**12.3%**	**12.3%**

General Mills, Inc.

Common Size Balance Sheet (% of Net Sales)

Fiscal Years Ending May 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
ASSETS										
Current Assets										
Cash & cash equivalents	8.3%	3.0%	2.9%	2.2%	1.4%	9.0%	8.7%	13.7%	17.1%	29.7%
Accounts receivables, less allowance for doubtful accounts	9.0%	8.9%	8.4%	8.3%	8.3%	8.3%	8.2%	8.2%	8.1%	8.1%
Inventories	10.0%	9.8%	10.8%	9.3%	9.2%	9.2%	9.2%	9.2%	9.2%	9.1%
Marketable investments	2.0%	1.3%	0.6%	0.6%	0.6%	0.6%	0.7%	0.7%	0.7%	0.7%
Derivative receivables	0.2%	0.5%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%
Assets held for sale	0.0%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Prepaid expenses & other current assets	2.2%	2.5%	2.9%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Total current assets	**31.7%**	**26.8%**	**25.8%**	**23.0%**	**22.2%**	**29.7%**	**29.4%**	**34.3%**	**37.7%**	**50.3%**
Land, buildings, & equipment	19.9%	17.9%	18.1%	19.0%	19.3%	19.7%	20.0%	20.3%	20.6%	20.9%
Goodwill	77.6%	75.7%	72.2%	71.7%	70.2%	68.3%	66.5%	64.9%	63.5%	62.2%
Other intangible assets	39.4%	36.9%	34.7%	34.5%	33.7%	32.7%	31.7%	30.9%	28.7%	26.6%
Right of use operating lease assets	2.1%	1.8%	1.7%	1.8%	1.8%	1.8%	1.9%	1.9%	1.9%	2.0%
Other assets	4.9%	4.7%	4.1%	4.3%	4.4%	4.5%	4.6%	4.7%	4.8%	5.0%
Total assets	**175.7%**	**163.7%**	**156.5%**	**154.3%**	**151.6%**	**156.7%**	**154.1%**	**156.9%**	**157.2%**	**166.9%**
LIABILITIES AND STOCKHOLDERS' EQUITY										
LIABILITIES										
Current Liabilities										
Accounts payable	20.2%	21.0%	20.9%	19.9%	19.7%	19.5%	19.3%	19.2%	19.1%	19.0%
Current portion of long-term debt	13.6%	8.8%	8.5%	8.5%	3.9%	8.0%	5.4%	6.3%	3.6%	9.7%
Notes payable	2.0%	4.3%	0.2%	0.2%	0.5%	0.8%	1.1%	1.4%	1.8%	1.8%
Accrued trade & consumer promotions	3.2%	2.5%	2.3%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
Accrued payroll	2.4%	2.3%	2.1%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Current portion of operating lease liabilities	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.6%	0.6%	0.6%	0.6%
Dividends payable	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Other current liabilities	3.5%	2.7%	3.0%	3.1%	3.2%	3.3%	3.3%	3.4%	3.5%	3.6%
Total current liabilities	**45.6%**	**42.2%**	**37.5%**	**37.4%**	**33.1%**	**37.4%**	**35.0%**	**36.2%**	**33.8%**	**39.9%**
Long-term debt	54.0%	48.1%	49.6%	47.9%	47.3%	46.5%	45.8%	45.1%	44.1%	43.2%
Deferred income taxes	11.7%	11.7%	10.5%	10.6%	10.5%	10.3%	10.2%	10.1%	10.0%	9.9%
Accured compensation & benefits	1.2%	1.1%	1.0%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Underfunded pensions	2.7%	0.8%	1.5%	1.3%	1.1%	0.8%	0.6%	0.4%	0.2%	0.0%
Non-current portion of operating lease liabilities	1.6%	1.3%	1.3%	1.3%	1.4%	1.4%	1.4%	1.4%	1.4%	1.5%
Other liabilities	1.7%	1.7%	1.9%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Total liabilities	**118.4%**	**106.9%**	**103.3%**	**101.4%**	**96.2%**	**99.3%**	**95.8%**	**96.0%**	**92.4%**	**97.3%**
Redeemable interest	3.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
STOCKHOLDERS' EQUITY										
Common Equity	7.9%	6.6%	6.5%	7.0%	7.5%	7.8%	8.2%	8.5%	8.6%	8.5%
Retained earnings	94.2%	97.6%	98.7%	104.5%	108.4%	111.9%	115.3%	118.7%	122.4%	126.0%
Common stock in treasury, at cost	-36.5%	-38.3%	-41.9%	-48.6%	-50.4%	-52.5%	-55.5%	-56.7%	-56.7%	-55.5%
Accumulated other comprehensive income (loss)	-13.4%	-10.4%	-11.3%	-11.3%	-11.1%	-10.8%	-10.5%	-10.2%	-10.0%	-9.8%
Total stockholders' equity	52.2%	55.5%	52.0%	51.7%	54.4%	56.5%	57.4%	60.3%	64.3%	69.2%
Noncontrolling interests	1.7%	1.3%	1.2%	1.2%	1.1%	1.0%	0.8%	0.7%	0.5%	0.4%
Total equity	**53.9%**	**56.8%**	**53.2%**	**52.9%**	**55.5%**	**57.5%**	**58.2%**	**61.0%**	**64.8%**	**69.6%**
Total liabilities and equity	**175.7%**	**163.7%**	**156.5%**	**154.3%**	**151.6%**	**156.7%**	**154.1%**	**156.9%**	**157.2%**	**166.9%**

General Mills, Inc.
Value Driver Estimation

Fiscal Years Ending May 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
NOPLAT:										
Net sales	18,127	18,993	20,094	20,122	20,563	21,129	21,696	22,241	22,725	23,223
Cost of sales	(11,077)	(12,020)	(13,002)	(12,697)	(12,852)	(13,121)	(13,473)	(13,789)	(14,090)	(14,398)
Depreciation and Amortization	(601)	(570)	(547)	(555)	(591)	(616)	(656)	(693)	(721)	(748)
Selling, general & administrative expenses	(3,080)	(3,147)	(3,500)	(3,381)	(3,434)	(3,550)	(3,645)	(3,759)	(3,841)	(3,948)
Restructuring, impairment, & other exit costs (recoveries)	(170)	27	(56)	(61)	(123)	(158)	(174)	(222)	(227)	(232)
Add: Implied Interest on Operating Leases	14	14	15	15	16	16	17	18	19	19
EBIT	**3,212**	**3,296**	**3,004**	**3,444**	**3,578**	**3,700**	**3,766**	**3,795**	**3,865**	**3,916**
Income Taxes	629	586	612	700	731	761	767	774	785	798
Add: Tax Shield on Interest, Net	95	85	86	84	82	76	84	82	85	81
Add: Tax Shield on Implied Interest on Operating Leases	3	3	3	3	4	4	4	4	4	4
Less: Tax on Divestitures Gain (Loss)	12	(44)	(100)	-	-	-	-	-	-	-
Less: Tax on Benefit plan non-service income	(30)	(26)	(20)	(13)	(11)	(9)	(7)	(6)	(4)	(2)
Total Adjusted Taxes	**709**	**606**	**581**	**775**	**805**	**832**	**847**	**854**	**870**	**881**
Change in Deferred Taxes	**119**	**62**	**(22)**	**23**	**24**	**25**	**26**	**26**	**26**	**27**
NOPLAT	**2,622**	**2,753**	**2,400**	**2,692**	**2,797**	**2,893**	**2,944**	**2,967**	**3,022**	**3,062**
Invested Capital (IC):										
Operating current assets										
Normal Cash	459	481	509	510	521	536	550	564	576	589
Accounts receivables	1,639	1,692	1,683	1,670	1,707	1,743	1,779	1,813	1,841	1,881
Inventories	1,821	1,867	2,172	1,861	1,892	1,944	1,985	2,035	2,079	2,113
Prepaid expenses & other current assets	393	466	573	476	486	499	513	526	537	549
Less: Operating current liabilties										
Accounts payable	(3,654)	(3,982)	(4,194)	(3,994)	(4,051)	(4,120)	(4,187)	(4,270)	(4,341)	(4,412)
Accrued trade & consumer promotions	(581)	(474)	(454)	(581)	(596)	(613)	(629)	(645)	(659)	(673)
Accrued payroll	(434)	(436)	(427)	(448)	(458)	(471)	(483)	(496)	(506)	(518)
Net Operating Working Capital	**(358)**	**(385)**	**(137)**	**(507)**	**(500)**	**(482)**	**(473)**	**(474)**	**(473)**	**(471)**
Non-current operating assets										
Land, buildings, & equipment	3,607	3,394	3,636	3,815	3,977	4,164	4,332	4,507	4,672	4,853
Other intangible assets	7,151	7,000	6,968	6,948	6,928	6,908	6,888	6,868	6,524	6,181
Right of use operating lease assets	379	337	340	357	372	389	405	421	437	454
Less: Non-current operating liabilities										
Accured compensation & benefits	(181)	(221)	(214)	(204)	(221)	(226)	(232)	(238)	(244)	(250)
Other liabilities	(302)	(320)	(373)	(351)	(358)	(368)	(378)	(388)	(396)	(405)
Invested Capital	**10,295**	**9,804**	**10,219**	**10,057**	**10,198**	**10,385**	**10,542**	**10,696**	**10,520**	**10,362**
Free Cash Flow (FCF):										
NOPLAT	2,622	2,753	2,400	2,692	2,797	2,893	2,944	2,967	3,022	3,062
Change in IC	468	(491)	415	(162)	141	187	157	154	(176)	(158)
FCF	**2,154**	**3,244**	**1,985**	**2,854**	**2,657**	**2,705**	**2,787**	**2,813**	**3,198**	**3,219**
Return on Invested Capital (ROIC):										
NOPLAT	2,622	2,753	2,400	2,692	2,797	2,893	2,944	2,967	3,022	3,062
Beginning IC	9,828	10,295	9,804	10,219	10,057	10,198	10,385	10,542	10,696	10,520
ROIC	**26.68%**	**26.74%**	**24.48%**	**26.34%**	**27.82%**	**28.36%**	**28.35%**	**28.14%**	**28.25%**	**29.10%**
Economic Profit (EP):										
Beginning IC	9,828	10,295	9,804	10,219	10,057	10,198	10,385	10,542	10,696	10,520
x (ROIC - WACC)	20.10%	20.16%	17.91%	19.77%	21.24%	21.79%	21.77%	21.57%	21.67%	22.53%
EP	**1,975**	**2,075**	**1,756**	**2,020**	**2,136**	**2,222**	**2,261**	**2,274**	**2,318**	**2,370**

General Mills, Inc.
Weighted Average Cost of Capital (WACC) Estimation

Cost of Equity:			*ASSUMPTIONS:*
Risk-Free Rate	4.25%		*YTM on 10Y Treasury Bond*
Beta	0.61		*Food Processing Industry Beta (Damodaran)*
Equity Risk Premium	5.00%		*Henry Fund Consensus*
Cost of Equity	**7.30%**		
Cost of Debt:			
Risk-Free Rate	4.25%		*YTM on 10Y Treasury Bond*
Implied Default Premium	0.99%		
Pre-Tax Cost of Debt	5.24%		*Estimated 10Y YTM on Newly Issued Debt (Bloomberg)*
Marginal Tax Rate	23%		
After-Tax Cost of Debt	**4.06%**		

Market Value of Common Equity:		**MV Weights**
Total Shares Outstanding	594.8	
Current Stock Price	$70.57	
MV of Equity	**41,975**	77.67%
Market Value of Debt:		
Current portion of long-term debt	1,709	
Notes payable	32	
Current portion of operating lease liabilities	102	
Long-term debt	9,965	
Non-current portion of operating lease liabilities	257	
MV of Total Debt	**12,065**	22.33%
Market Value of the Firm	**54,040**	100.00%

Estimated WACC	**6.58%**

General Mills, Inc.

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:

CV Growth of NOPLAT	2.50%
CV Year ROIC	29.10%
WACC	6.58%
Cost of Equity	7.30%

Fiscal Years Ending May 31	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**
DCF Model:							
Free Cash Flow (FCF)	2,854	2,657	2,705	2,787	2,813	3,198	
Continuing Value (CV)							68,649
PV of FCF	2,678	2,339	2,235	2,160	2,046	2,182	46,844
Value of Operating Assets:	60,484						
Add: Excess Cash	*76*						
Add: Marketable Securities	*117*						
Add: Derivative receivables	*45*						
Add: Other L-T assets	*820*						
Less: Current portion of long-term debt	*(1,709)*						
Less: Notes payable	*(32)*						
Less: Current portion of operating lease liabilities	*(102)*						
Less: Dividends Payable	*(23)*						
Less: Other Current Liabilities	*(595)*						
Less: Long-term debt	*(9,965)*						
Less: Underfunded pensions	*(305)*						
Less: Non-current portion of operating lease liabilities	*(257)*						
Less: Non-controlling interests	*(250)*						
Less: PV of ESOP	*(199)*						
Value of Equity	48,105						
Shares Outstanding	586.6						
Intrinsic Value of Last FYE	$ 82.01						
Implied Price as of Today	$ 84.79						
EP Model:							
Economic Profit (EP)	2,020	2,136	2,222	2,261	2,274	2,318	2,370
Continuing Value (CV)							58,129
PV of EP	1,895	1,881	1,835	1,752	1,653	1,582	39,666
Total PV of EP	50,265						
Invested Capital (last FYE)	10,219						
Value of Operating Assets:	60,484						
Add: Excess Cash	*76*						
Add: Marketable Securities	*117*						
Add: Derivative receivables	*45*						
Add: Other L-T assets	*820*						
Less: Current portion of long-term debt	*(1,709)*						
Less: Notes payable	*(32)*						
Less: Current portion of operating lease liabilities	*(102)*						
Less: Dividends Payable	*(23)*						
Less: Other Current Liabilities	*(595)*						
Less: Long-term debt	*(9,965)*						
Less: Underfunded pensions	*(305)*						
Less: Non-current portion of operating lease liabilities	*(257)*						
Less: Non-controlling interests	*(250)*						
Less: PV of ESOP	*(199)*						
Value of Equity	48,105						
Shares Outstanding	586.6						
Intrinsic Value of Last FYE	$ 82.01						
Implied Price as of Today	$ 84.79						

General Mills, Inc.

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending		2024E	2025E	2026E	2027E	2028E	2029E	2030E
EPS		$4.38	$4.68	$4.94	$5.06	$5.20	$5.32	$5.43
Key Assumptions								
CV growth of EPS		2.50%						
CV Year ROE		19.31%						
Cost of Equity		7.30%						
Future Cash Flows								
P/E Multiple (CV Year)								18.14
EPS (CV Year)								$5.43
Future Stock Price								$98.41
Dividends Per Share		$2.36	$2.45	$2.50	$2.56	$2.60	$2.64	
Discounted Cash Flows		$2.20	$2.13	$2.02	$1.93	$1.83	$1.73	$64.48
Intrinsic Value as of Last FYE	$	76.32						
Implied Price as of Today	**$**	**78.92**						

General Mills, Inc.

Relative Valuation Models

Ticker	Company	Price	EPS 2024E	EPS 2025E	P/E 24	P/E 25	SPS 2024E	SPS 2025E	P/S 24	P/S 25	EV (M) 2024	EBITDA (M) 2024E	EV/EBITDA 2024E
KHC	Kraft Heinz Co.	$ 36.82	$3.04	$3.21	12.11	11.47	$22.13	$22.54	1.66	1.63	64,549	6,527	9.89
HRL	Hormel Foods Corp.	$ 34.77	$1.59	$1.68	21.87	20.70	$22.38	$22.74	1.55	1.53	20,745	1,431	14.50
MDLZ	Mondelez International	$ 66.68	$3.53	$3.82	18.89	17.46	$27.61	$28.82	2.42	2.31	109,262	7,475	14.62
K	Kellanova	$ 36.82	$3.58	$3.81	10.28	9.66	$37.49	$38.66	0.98	0.95	25,892	2,234	11.59
CAG	Conagra Brands Inc.	$ 30.60	$2.60	$2.69	11.77	11.38	$25.30	$25.58	1.21	1.20	23,492	2,313	10.16
SJM	J.M. Smucker	$ 113.54	$9.61	$10.21	11.81	11.12	$77.51	$85.10	1.46	1.33	22,021	1,846	11.93
POST	Post Holdings, Inc.	$ 101.34	$5.51	$6.37	18.39	15.91	~~$133.37~~	~~$136.76~~	~~0.76~~	~~0.74~~	12,543	1,320	9.50
CPB	Campbell Soup	$ 43.68	$3.06	$3.22	14.27	13.57	$31.73	$33.19	1.38	1.32	17,836	1,806	9.88
			Average		**14.93**	**13.91**			**1.52**	**1.47**			**11.51**
GIS	General Mills, Inc.	$70.57	$4.38	$4.68	16.10	15.07	$34.30	$35.05	2.06	2.01	53,454	3,998	13.37

Implied Relative Value:

P/E (EPS24)	**$ 65.43**
P/E (EPS25)	**$ 65.14**
P/S (Sales 24)	**$ 52.27**
P/S (Sales 25)	**$ 51.46**
EV/EBITDA	**$ 58.86**

General Mills, Inc.

Key Management Ratios

Fiscal Years Ending May 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Liquidity Ratios:										
Current Ratio (CA/CL)	0.7	0.6	0.7	0.6	0.7	0.8	0.8	0.9	1.1	1.3
Quick Ratio ((Cash + A/R)/CL)	0.4	0.3	0.3	0.3	0.3	0.5	0.5	0.6	0.7	0.9
Cash Ratio (Cash/CL)	0.2	0.1	0.1	0.1	0.0	0.2	0.2	0.4	0.5	0.7
FCF Conversion (FCF/EBITDA)	56.5%	83.9%	55.9%	71.4%	63.7%	62.7%	63.0%	62.7%	69.7%	69.0%
Asset-Management Ratios:										
Inventory Turnover (COGS/Inventory)	6.1	6.4	6.0	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Days Sales Outstanding ((Beg. A/R / Sales)*365)	32.5	31.5	30.7	30.5	29.6	29.5	29.3	29.2	29.1	28.9
Asset Turnover (Sales / Beg. TA)	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7
Financial Leverage Ratios:										
D/E Ratio (TL/TSE)	2.2	1.9	1.9	1.9	1.7	1.7	1.6	1.6	1.4	1.4
Debt/Capital (Total Debt/Total Capital)	57.1%	52.6%	53.0%	52.5%	49.1%	49.9%	48.2%	47.4%	44.3%	44.9%
Interest Coverage (EBIT/Interest Expense)	7.5	9.2	9.0	9.2	9.8	10.8	10.0	10.4	10.2	10.8
Net Debt Leverage (Net Debt/Adj EBITDA)	3.3	3.2	3.8	2.8	2.5	2.7	2.6	2.6	2.5	2.7
Profitability Ratios:										
Gross Margin (Gross Profit / Sales)	38.9%	36.7%	35.3%	36.9%	37.5%	37.9%	37.9%	38.0%	38.0%	38.0%
Operating Margin (EBIT/Sales)	17.3%	18.3%	17.1%	17.0%	17.3%	17.4%	17.3%	17.0%	16.9%	16.8%
Profit Margin (NI/Sales)	12.9%	14.3%	12.9%	12.5%	12.8%	12.9%	12.6%	12.4%	12.3%	12.3%
Return on Assets (NOPLAT/Beg. TA)	8.5%	8.6%	7.7%	8.6%	9.0%	9.3%	8.9%	8.9%	8.7%	8.6%
Return on Equity (NI/Beg. TSE)	28.0%	27.7%	24.0%	23.6%	24.7%	23.9%	22.5%	21.8%	20.6%	19.3%
Payout Policy Ratios:										
Dividend Payout Ratio (Dividend/EPS)	53.0%	45.8%	49.5%	53.8%	52.3%	50.7%	50.6%	50.0%	49.6%	49.0%
Total Payout Ratio ((Divs. + Repurchases)/NI)	66.2%	78.4%	103.8%	106.7%	74.8%	76.7%	85.1%	70.0%	59.5%	49.0%
FCF Payout Ratio (Divs. / FCF)	57.9%	38.4%	64.9%	46.7%	51.3%	50.5%	49.0%	48.7%	43.3%	43.3%

General Mills, Inc.

Present Value of Operating Lease Obligations

Fiscal Years Ending May 31	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Right of use operating lease assets	**378.6**	**336.8**	**340.0**	**356.7**	**371.9**	**389.3**	**405.1**	**421.4**	**436.8**	**453.8**
Weighted Avg Discount Rate	3.7%	3.8%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
Interest on Oper. Leases	**13.5**	**14.4**	**14.8**	**15.0**	**15.7**	**16.4**	**17.1**	**17.8**	**18.5**	**19.2**

General Mills, Inc.

Effects of ESOP Exercise and Share Repurchases on Common Stock Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	12
Average Time to Maturity (years):	5.59
Expected Annual Number of Options Exercised:	2
Current Average Strike Price:	$ 57.43
Cost of Equity:	7.30%
Current Stock Price:	$70.57

Fiscal Years Ending May 31	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Increase in Shares Outstanding:	2.1	2.1	2.1	2.1	2.1	1.2	0.0
Average Strike Price:	$ 57.43	$ 57.43	$ 57.43	$ 57.43	$ 57.43	$ 57.43	$ 57.43
Increase in Common Stock Account:	**118.9**	**118.9**	**118.9**	**118.9**	**118.9**	**70.2**	**-**
Share Repurchases ($)	1,700	750	900	1,200	700	350	0
Expected Price of Repurchased Shares:	$ 70.57	$ 73.32	$ 76.18	$ 79.15	$ 82.24	$ 85.45	$ 88.78
Number of Shares Repurchased:	**24.1**	**10.2**	**11.8**	**15.2**	**8.5**	**4.1**	**-**
Shares Outstanding (beginning of the year)	586.6	564.6	556.4	546.7	533.6	527.1	524.3
Plus: Shares Issued Through ESOP	2.1	2.1	2.1	2.1	2.1	1.2	0.0
Less: Shares Repurchased in Treasury	24	10	12	15	9	4	-
Shares Outstanding (end of the year)	**564.6**	**556.4**	**546.7**	**533.6**	**527.1**	**524.3**	**524.3**

General Mills, Inc.

Valuation of Options Granted under ESOP

Current Stock Price	$70.57
Risk Free Rate	3.30%
Current Dividend Yield	3.10%
Annualized St. Dev. of Stock Returns	20.90%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Total	12	$ 57.43	5.59	$ 25.68	**$ 199**

General Mills, Inc.
Sensitivity Tables

Equity Risk Premium (rows) vs. Beta (columns)

84.79	0.46	0.51	0.56	0.61	0.66	0.71	0.76
4.70%	105.30	99.11	93.52	88.44	83.80	79.56	75.66
4.80%	104.04	97.85	92.26	87.19	82.58	78.35	74.46
4.90%	102.80	96.61	91.04	85.98	81.38	77.16	73.30
5.00%	101.59	95.41	89.84	84.79	80.21	76.01	72.16
5.10%	100.40	94.22	88.66	83.64	79.06	74.88	71.05
5.20%	99.23	93.06	87.52	82.50	77.94	73.78	69.97
5.30%	98.09	91.93	86.40	81.39	76.85	72.71	68.92

CV SG&A (rows) vs. CV Cost of Sales (columns)

84.79	60.6%	61.1%	61.6%	62.1%	62.6%	63.1%	63.6%
15.5%	92.84	92.84	92.84	92.84	92.84	92.84	92.84
16.0%	90.16	90.16	90.16	90.16	90.16	90.16	90.16
16.5%	87.48	87.48	87.48	87.48	87.48	87.48	87.48
17.0%	84.79	84.79	84.79	84.79	84.79	84.79	84.79
17.5%	82.11	82.11	82.11	82.11	82.11	82.11	82.11
18.0%	79.43	79.43	79.43	79.43	79.43	79.43	79.43
18.5%	76.75	76.75	76.75	76.75	76.75	76.75	76.75

Pre-Tax Cost of Debt (rows) vs. Risk-Free Rate (columns)

84.79	3.95%	4.05%	4.15%	4.25%	4.35%	4.45%	4.55%
4.94%	92.42	90.25	88.15	86.14	84.21	82.34	80.55
5.04%	91.91	89.76	87.68	85.69	83.77	81.92	80.14
5.14%	91.41	89.27	87.22	85.24	83.34	81.50	79.74
5.24%	90.91	88.79	86.75	84.79	82.91	81.09	79.34
5.34%	90.41	88.31	86.29	84.35	82.48	80.68	78.94
5.44%	89.92	87.84	85.84	83.91	82.06	80.27	78.55
5.54%	89.43	87.37	85.39	83.48	81.64	79.87	78.16

Marginal Tax Rate (rows) vs. CV Growth NOPLAT (columns)

84.79	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%
19.5%	76.97	80.29	83.99	88.14	92.82	98.16	104.29
20.5%	75.96	79.25	82.92	87.03	91.68	96.97	103.05
21.5%	74.95	78.21	81.84	85.92	90.52	95.77	101.81
22.5%	73.93	77.16	80.75	84.79	89.36	94.57	100.56
23.5%	72.91	76.10	79.67	83.67	88.19	93.36	99.29
24.5%	71.88	75.04	78.57	82.53	87.02	92.13	98.02
25.5%	70.85	73.98	77.47	81.39	85.84	90.91	96.74

Dep. Rate Delta (rows) vs. CapEx % of Sales Delta (columns)

84.79	-3.0%	-2.0%	-1.0%	0.0%	1.0%	2.0%	3.0%
-3.0%	97.47	93.57	89.67	85.78	81.88	77.98	74.08
-2.0%	97.46	93.44	89.42	85.40	81.38	77.36	73.34
-1.0%	97.48	93.35	89.21	85.07	80.94	76.80	72.67
0.0%	97.54	93.29	89.04	84.79	80.55	76.30	72.05
1.0%	97.63	93.27	88.91	84.56	80.20	75.84	71.49
2.0%	97.74	93.28	88.82	84.35	79.89	75.43	70.97
3.0%	97.87	93.31	88.75	84.19	79.63	75.07	70.50

A/P Delta (rows) vs. Inventory Delta (columns)

84.79	-3.0%	-2.0%	-1.0%	0.0%	1.0%	2.0%	3.0%
-3.0%	84.80	84.26	83.72	83.19	82.65	82.11	81.58
-2.0%	85.33	84.80	84.26	83.72	83.19	82.65	82.11
-1.0%	85.87	85.33	84.80	84.26	83.72	83.18	82.65
0.0%	86.40	85.87	85.33	84.79	84.26	83.72	83.18
1.0%	86.94	86.40	85.87	85.33	84.79	84.26	83.72
2.0%	87.48	86.94	86.40	85.87	85.33	84.79	84.26
3.0%	88.01	87.48	86.94	86.40	85.87	85.33	84.79

IQR Price Range

	Q1	Q3
Beta vs. ERP	$77.01	$93.87
Rf vs. Pre-Tax Rd	$81.57	$88.23
Delta CapEx vs. Dep	$77.08	$93.28
CV CoS vs. CV SG&A	$79.43	$90.16
CV NOPLAT vs. Tax Rate	$77.84	$93.09
Delta Inv vs. A/P	$83.72	$85.87
Average	$79.44	$90.75
Median	$78.64	$91.62